

The French referendum

Yes or No, Europe takes a new road



Sterling in the ERM

What Britain's top bosses think now



Learning the hard way

Daing business in the former Soviet Union

Mauritius: a tiger's high aspirations



Survey



FINANCIAL TIMES

Monday September 14 1992

Refugee crisis **'threatening** German stability'

An urgent plea for help in dealing with the refugee crisis and a warning that Germany's political stability was at risk because of the flood of asylumseekers from Yugoslavia and eastern Europe came from Klaus Kinkel, the German foreign minister. Germany was shouldering a disproportionate burden, having taken in more than 220,000 asylum seekers from Bosnia - more than any other country apart from neighbouring Croatia. However, BC foreign ministers avoided a commitment to spread the load by relaxing their own immigration controls but agreed to speed up efforts to reach a common approach required because of the difference in laws. Page 18; EC and UN agree strategy, Page 2

Industrialists wavering: Support for the UK government's hard line on sterling appears to be wavering among the heads of Britain's biggest companies, with Sir Owen Green, chairman of the industrial conglomerate BTR, arguing for the free flotation of sterling. Other company heads argue for sterling to be devalued within the European exchange rate mechanism. Top bosses want pound in ERM, Page 7

israeli right angered: The Israeli government faced a chorus of protest over its willingness to exchange occupied territory on the Golan Heights for peace with Syria as its team of negotiators flew to Washington for the resumption today of Middle East peace talks. Page 4; Euphoria fades, Page 18

Camdessus says Yes: Michel Camdessus, managing director of the International Monetary Fund and a former governor of the Bank of France. has thrown his weight behind the campaign for a Yes vote in the French referendum on the Maastricht treaty. Interview, Back Page, Section II; Smith challenged on Maastricht strategy, Page

Thai election: Parties opposed to military interference in Thai politics appeared to have won a slim parliamentary majority in Thailand's general election, four months after troops killed at least 50 pro-democracy demonstrators in Bang-

Canary Wharf: Banks meeting in Toronto may decide the fate of the Jubilee Line tube extension to London's docklands and whether a move to acquire Canary Wharf organised by Mr Paul Reichmann, founder of the financially troubled property development, will succeed. Page 19

Actor Anthony Perkins dies



Actor Anthony Perkins, 60, best known for playing a murderous motel keeper in Alfred Hitchcock's *Psycho*, died in his Hollywood Hills home of complica-tions related to AIDS. a spokeswoman said.

Benetton family buy: Italy's Benetton family has bought a 50 per cent stake in the TWR Group, the UK motor racing, research and consulting company Page 21

Sansui: The latest results from Sansui Electric, the Japanese consumer electronics company and former Polly Peck subsidiary, were hit by what is expected to be the final big write off in the company's corporate restructuring.

Swedish banks: With two banks already rescued and a third in serious difficulties, the Swedish government is working to avoid the entire banking sector falling under its control. A legacy from the 1980s, Page 19

Gas Interest: British Cas is preparing to launch a move - thought to be worth £50m (\$100m) for stakes in Argentina's gas transmission and distribution companies when Gas del Estado, the state gas company, is privatised later this



Readers can now call
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Service pages of the
Financial Times.

Details, Page 19. Telephone number, Page 31 Swindlers' warning: British police say they have uncovered fresh attempts by Nigerian commen to draw UK banks and businesses into fraudulent transactions involving forged letters of credit and bank drafts and potentially worth millions

Somalian aid increased: European Community foreign ministers agreed to send some 185,000 tonnes of additional food as well as some Ecu50m (\$72m) of non-food aid to Somalia in the face of what was called 'a unique tragedy' The EC is to send observers to improve aid co-ordination and talks are to be held with UN secretary-general, Boutros Boutros Ghali, over plans for a political solution. Relief efforts, Page 4

Conference opens: The UK Liberal Democratic Party opened its annual conference amid calls for the rejection of any pacts with the Labour Party following the Conservatives fourth general election victory in April.

Mansell to retire: Motor racing world champion Nigel Mansell is to end his 12-year career in Formula One at the end of the season, he announced in Italy after weeks of on-off talks with Williams-Renault team manager Frank Williams.

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Germany to cut rates today after lira devalues in ERM

By our Foreign and Economics Staff

ITALY and Germany last night moved to end the crisis in the European Monetary System by agreeing a 7 per cent devaluation of the lira to be followed by cuts in the Bundesbank's leading

interest rates today.

Monetary officials said the surprise move could be followed by interest rate cuts in other countries such as France and the Netherlands. Analysts in London suggested it also could ease speculative pressure against sterling. Mr Giuliano Amato, the Italian

prime minister, last night put a brave face on the devaluation of the lira within the European exchange rate mechanism, saving he believed yesterday's decision would not be inflationary. He elcomed the co-operation of the Germans and the agreement worked out in consultation with other European Community members. "If we had devalued earlier, it would have been merely an own goal", he said.
The Bundesbank's decision to

call a special meeting of its coun-cil today is unprecedented. European monetary officials said last night that they expected cuts in Germany's discount and Lombard rates, currently 8.75 and 9.75 per cent respectively.

By including a change in its interest rates in a realignment package, the Bundesbank is admitting the important role that the high rates have played in the recent turmoil in the European currency markets.

Until now, the Bundesbank has been adamant that its high interest policy was essential to curb monetary expansion and hold down inflation within Germany. Senior officials, including Mr Helmut Schlesinger, the president of the bank, have insisted in recent weeks that the monetary and economic indicators in Germany gave no grounds for either an

increase or decrease in key rates.
Only last week Mr Otmar Issing, a leading Bundesbank board member, insisted that the bank's policy would not be swayed by broader economic considerations, but only by its paramount task to curb inflation and maintain the

stability of the D-Mark. Nonetheless, pressure on the Bundesbank has been growing rapidly, both from within and without Germany, to recognise the international reality causing the stresses in the currency markets. The high rates have been causing great pressure on the D-Mark for a revaluation against other EC currencies, at a time when such a move would hit already ailing German exports.

The lira devaluation was decided by officials of the EC monetary committee over the telephone and did not require a meeting of economics and finance ministers.

Officials said the Bundesbank appeared to have agreed to cut its interest rates in expectation that the Bonn government and both sides of industry will take more effective measures to curb inflationary pressures in Ger-

Mr Norman Lamont, Britain's chancellor of the exchequer, last night welcomed the realignment and in particular the Bundes-bank's intention of cutting its interest rates.

In a statement, he made clear that the UK government would not alter the parity of sterling against the D-Mark and that it would take "whatever action was necessary" to maintain the central rate at DM2.95.

The moves for a unilateral 7 per cent devaluation of the Italian currency were initiated after massive intervention on Friday had failed to lift the currency off its floor in the ERM.

Last night's moves were warmly welcomed by the French government. Mr Michel Sapin. finance minister, said he welcomed this "double decision in which France took full part". In London, several economists

said that the Bundesbank's pledge to cut official rates could lead to a rise of sterling and other European currencies today, and that, in the short term, the pressure had been taken off the UK to raise interest rates. Mr Gerard Lyons, chief econo-

mist at DKB International, said: "Today's action shows that European governments are deter-mined to keep the ERM in spite of the referendum. That is the most important point. We could get a German cut of 50 basis points or even 100 basis points. The size of the reduction is less important than the move itself". "It will inevitably help sterling in the short term. But hurdles

remain for sterling. These include the referendum, the weakness of the UK economy and the implications of the lira devaluation which reveals the weakness of sterling

However, Mr Jim O'Neill, head of research at Citibank in London, said the move would be unlikely to stabilise currency markets if the French vote No in their referendum on the Maastricht treaty next Sunday. "If the French vote No, it will not help

the situation.' He added: "It doesn't surprise me that the Italians have had to devalue because there's been so much pressure on the lira over the last week. However a 7 per cent devaluation is not much, since the lira is overvalued by around 15 per cent against the D-Mark."

Mr John Shepperd, senior economist at Warburg Securities in London, said that the chief part of the equation was missing, the size of today's cut in rates.

important thing is that the Bundesbank has cracked. It has bowed to international pressure, abandoning domestic issues. Its approach to policy has changed. In the future it is likely to have a much more accommodating stance. There will be much more confidence that the current parities will be much more durable and sustainable. What was going to blow the ERM apart was the Bundesbank's intransigence".



Economics notebook, Page 19
European bonds, Page 22 Italian presser Giuliano Amato: putting on a brave face

ministers warn of crisis if Maastricht rejected

By Lionel Barber in Hatfield and

EUROPEAN Community foreign ministers yesterday stepped up warnings about a financial and political crisis if the Maastricht treaty on European union is rejected in next Sunday's referen-The warning came at the end

of two days of informal talks in Hatfield, near London, between the ministers but before the announcement of a realignment in the European exchange rate mechanism late yesterday.

In France politicians embarked on a frenzy of campaigning to try to swing a finely divided electorate in the run-up to the referen-

The slim majority for Maastricht yesterday appeared fragile, according to the last of the public cliff-hanger

■ Labour in open warfare over Europe ■ British fund man expect a Yes ■ The Brussels balloon files

■ Capital markets Pages 22,23

into danger

ation, showed an even split.

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Builder of a social pillar Back Page, Section II

opinion surveys before pre-election polling closed at midnight on

Saturday. The final five surveys before the deadline showed an average 52.4 per cent majority for the pro-Maastricht camp, of which one poll, by BVA for Liber-EC officials cautioned, however, that the predications of a potential political crisis in western Europe could be aimed at gal- presidency, is prepared to call an Nations General Assembly - ties have planned 75 public meetvanising undecided voters in France. They also pointed out that French approval for the treaty would not remove the problem raised by the Danish

vote against Maastricht last At the foreign ministers' meetings Mr Roland Dumas of France said failure to approve the treaty

would deal a grave blow to the Community's ambitions for greater economic and monetary integration, with inevitable international repercussions.

Mr Dumas stressed that he remained confident that the French would approve Maastricht. He raised the possibility of an "earthquake" in the event of a No vote. "You can't tell where the buildings will fall down", he

Britain, which holds the EC

ministers in New York next Monday - whatever the outcome of the referendum. Mr Douglas Hurd. British foreign secretary. said: "There will have to very close co-ordination if there is a French Yes or No.

Mr Hurd left open the possibility of EC foreign ministers who are due to be in New York for the opening of the United

emergency session of EC foreign holding talks with EC finance ings, debates, and radio and tele ministers gathered in Washington under the auspices of the Group of Seven industrialised

In France, anti-treaty supporters have gained ground in recent days and up to 29 per cent of the electorate is still undecided according to a poll by Ifop for Journal du Dimanche

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vision appearances in an attempt to seduce the waverers. In a gesture likely to be welcomed by France's mainly anti-

Maastricht farmers, the government announced that it would negotiate to soften the impact of European Community agriculture policy reforms at an EC ministerial meeting on September 21 National politicians of all parand 22.

Hardline guerrilla leader captured by Peruvian police

By Sally Bowen in Lima

MR Abimael Guzman Reynoso. founder and leader of Peru's hardline guerrilla group Sendero Luminoso (Shining Path) has been captured in Lima.

Police raids on two houses in prosperous suburbs netted 57year-old Mr Guzman, one of the world's most famous fugitives. and half a dozen members of Sendero's powerful central com-

Sendero has waged 12 years of political warfare, which has claimed more than 25,000 Peruvian lives and cost the impoverished nation some \$20bn, roughly equal to its total foreign debt. Analysts estimate Sendero's

fighting strength to be about 5,000, but militants and committed supporters may total another 100,000. It is too early to predict if Mr Guzman's capture will prove a crushing blow to Sendero. The life of Mr Guzman -"Presidente Gonzalo" or "the to his followers - had assumed almost mythical qualities. A philosophy professor in the impoverished central Andean town of Ayacucho in the 1960s, he built up Sendero initially among university students and peasants. Its blend of Marxism, Leninism and Maoism overlaid with traditional Andean culture

among the marginalised.
Since Sendero emerged into the national arena in 1980, burning ballot boxes in the village of Chuschi in Ayacucho province, it has aimed at overthrowing what it perceives as a corrupt and

and beliefs captured support

inept state. In the past two years the vio-lence which had previously been concentrated in the more remote areas of Peru has come to the capital. Sendero infiltrated many popular organisations in Lima, assinating any local leader who resisted. In July a wave of car bombs rocked its commercial

Until now there had been only scant glimpses of Mr Guzman. He was detained in 1979, accused of helping to organise a general strike, but was released. In 1988 he gave a 40,000-word interview to Sendero's newspaper which is the most coherent available expo-

sition of "Gonzalo thought". Less than two years ago a videotape captured in a police raid gave Peruvians a rare treat - Mr Guzman was filmed drinking and dancing to the music of Zorba the Greek with close collaborators, all dressed in Chinese-style uniform tunics.

His capture late on Saturday night was attributed to five months of patient observation by Dincote, Peru's counter-terrorist

His arrest, along with high-level members of his organisation, will boost the morale of the security forces who have been targeted with a vehemence unusual even for Sendero.

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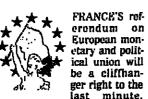
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LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

By William Dawkins in Paris



when the first results of the vote start to emerge from the interior ministry's computers next Sunday evening.

Public opinion polls closed last Saturday at midnight, as they must do seven days before an election under French law. showing that the Yes camp has a slim majority, but that it has lost ground over the past week. The average of the five last polls before Saturday midnight

gave a narrow 52.4 per cent in favour of the treaty - of those who have made up their minds down from 54.2 per cent shown by a similar average the

previous week, according to Mr

gaining

Jean-Francois Mercier, economist at Salomon Brothers in London.

Among the final batch, an extremely detailed BVA poll for the Liberation newspaper. gave a 50-50 split between those who have made up their minds. Paradoxically it indicated at the same time that 60 per cent of the electorate supported monetary union and 62 per cent supported external security co-operation, the main points in the treaty. Some 42 per cent said they saw the referendum as a chance to vote against the government. All this confirms the impression that French voting intentions are still clouded by domestic

"The Yes campaigners are failing to give people strong personal reasons for voting for the treaty and have instead warned them of catastrophe if they vote against. The elector-

the edge of a Paris science

It was the first time since the

beginning of the campaign that

the three musketeers of the

rejectionist camp - Philippe

Seguin, the neo-Gaullist intel-

lectual, Charles Pasqua the

Gaullist traditionalist and for-

mer interior minister and Phil-

ippe de Villiers, a dynamic

young centrist member of par-

liament - had shared a plat-

form together. A roar wel-

comed them as the search-lights picked them up. To dispel the impression that

all the support was coming

this message. The No cam-paign, by contrast, has focused on the specific personal worries inciting people to vote against, said Mr Mercier.

Better news for the Yes campaign came from a Sofres poll for TF1 on Saturday, which gave 52 per cent in favour of Maastricht and said that 73 per cent of those interviewed thought that the pro-treaty camp would win. According to Ifop, for Journal du Dimanche. the Yes camp had 53 per cent, two-and-a-half points up on an Ifop poll five days previously. Even the polling organisa-

tions agree that their results cannot be taken at face value. President François Mitterrand s more familiar to the vagaries of polls than most, since the polling organisations did not foresee his 1981 presidential election victory until the last minute.

The small size of polisters' samples, usually around 1,000

from the regimented faithful,

bussed-in from around Paris

and the provinces, if not the

French overseas territories, a

cohort of ageing former politi-

cal dignitaries were massed in

serried ranks behind the speak-

That some were still alive

would have been sufficient rea-

son for the acclaim they

received. They included Mr

Maurice Couve de Murville.

General de Gaulle's veteran

foreign minister and

short-lived prime minister, Mr

Michel Poniatowski, former

President Giscard d'Estaine's

unpopular interior minister

and, of course, Admiral Phil-

ippe de Gaulle, the incarnation

er's pulpit.

'Choose

Maastricht or

choose France

people, means that there is a margin of error of several percentage points when extrapolating the result to a national referendum.

To complicate the outlook further, up to 29 per cent of the electorate does not know how it will vote, according to the most recent surveys. They could go either way or abstain on Sunday.

For another thing, French opinion polls are notoriously volatile. The French are so intensively quizzed on political matters - the Journal de Dimanche has a political poll nearly every week, even in quiet times - that there is a temptation for people being polled to use the occasion to toy with opinions rather than express real views.

But the polls are doubly volatile this time. When President Mitterrand called a referendum on 3 June, the day after the

of his father's combat for

French national independence

It came as no surprise that

all the speakers should extol

these typically Gaullist values

as being radically opposed to

centralised government from

Brussels by faceless interna-

tional technocrats, who could

only see their powers enhanced

by the Maastricht treaty.

"What stopped Hitler?" Mr de Villiers asked. "The British

nation and the French nation

embodied in the Resistance.

Every time an attempt is made

to suppress the nation, it provokes a popular revolution."

In spite of the vociferous

xenophobic reactions of the

militants in the hall, the speak-

ers did their best to distinguish

opposition to the Maastricht

treaty from opposition to the

European Community. "We

love France and we want to construct Europe." Mr Pasqua

and sovereignty.

Martial music sets scene for No vote rally

veys indicated that nearly 70 per cent of the French electorate would give the treaty its blessing.
But that majority steadily

ebbed away through July and August as the anti-Maastricht lobby took the campaign initiative, pushing hard on the theme of sovereignty. The government's image at the same time received a battering from the truckers' strike, a scandal over Aids-contaminated blood and the latest twists in a long running controversy over allegedly illicit party funding.

The sudden emergence of a small majority against the treaty by the end of August shocked a previously sluggish pro-Maastricht campaign into action. Since then, a flurry of meetings and interviews, culminating in Mr Mitterrand's marathon television debate on September 3 have given the pro-treaty vote a much-needed lift.

said. "But we feel strongly

that, with the Maastricht

treaty, we have to choose one

or the other. It is no longer a

question of pooling or associat-

ing our efforts. What we are

being asked to do is to merge

and to integrate, that is to

water down and divide our

In spite of some sarcastic ref-

erences to Mr John Major, the

British prime minister, for

allegedly urging the French

people to vote "yes" to Maas-

tricht while himself refusing to

commit Britain to economic

and monetary union, the Brit-

ish government's attitude to

European co-operation was

held up as an example to be followed. Mr Major, Mr Pasqua

maintained confidently, would

be ready to sign a new treaty.

treaty of Oxford or Cambridge, without any technocratic ele-

ments but with a greater demo-

"We have to admit that a

national contributions."

Poll of Maastricht polls



1992

cratic content and providing

for an opening to eastern

Europe, would be a different

matter altogether and might be

something in which we could

Mr Seguin, for his part, extolled the virtues of a

Treaty victory a

common, as distinct from a sin-

gle currency, co-existing with national currencies, on the

lines proposed by Mr Major

and Mr Edouard Balladur, the

former French finance minis-

However, the organisers of

the meeting could not hide the

fact that their objective was by

no means confined to sinking

the Maastricht treaty - "this indigestible pudding", in the

victory for

Mitterrand'

Neo-Nazis Nationalist sentiment and Gaullist values are swelling the anti-Maastricht camp, writes Robert Mauthner ground, IN A futuristic structure on

say voters theme park, resembling a huge indoor tennis court, giant TV screens carrying anti-Maas-MOST French voters believe tricht slogans, a 6.000-strong nco-Nazis are gaining ground rattle-waving audience and stein Germany but only a minority fear their newly-unified reophonic martial music set the scene for a three-hour demneighbour, according to an agogic spectacular in France's opinion poll published yester-European union referendum day, Reuter reports from

German ZDF television said it ordered the poll from the French opinion institute, BVA, to find out how far fear of Germany might influence next Sunday's French referendum on the Maastricht treaty on

European union. ZDF said that when asked if they believed neo-Nazis were on the rise in Germany in view of rightist attacks on foreign asylum-seekers, 59 per cent of respondents said Yes and 35.5 per cent said No.

But nearly 60 per cent said they had little or no fear of Germany and 51 per cent saw Germans as partners. Only 2.2 per cent saw Germans as ene-

1. The 1.500 French voters were Cled last Thursday and Friasy, a week after Chancellor Colmut Kohl appeared on a French television show to reassure France of Germany's good intentions in the run-up to the

Meanwhile in Lyons, unidentified attackers knocked over a dozen tombstones and wrote pro-Nazi graffiti at a Jewish cemetery in the city yesterday, eyewitnesses said.

The desecration at the cemetery followed an attack two weeks ago on a Jewish cemetery at Herrlisheim in Alsace, where about 200 tombstones were broken.

Incidents of vandalism against Jewish and Christian cemeteries, usually by gangs of youths, take place every year in France.

Lyon dissident Gaullist mayor Michel Noir and about 2,000 people later gathered at the cemetery with leaders of the city's Jewish community for a protest meeting.

Mr Noir, an outspoken oppo nent of extreme right-wing leader Mr Jean-Marie Le Pen, is the son of a non-Jewish resistance fighter who was sent to a concentration camp.

Come loin

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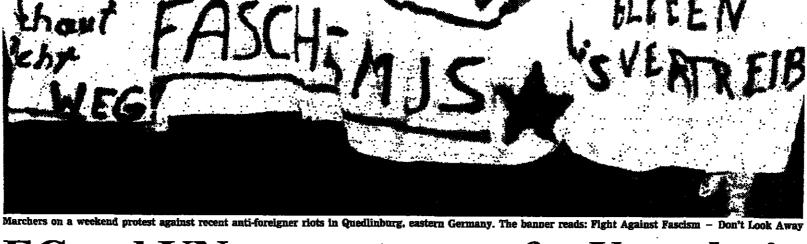
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reason Georgia has an



and UN agree strategy for Yugoslavia

By Judy Dempsey in Belgrade and Lionel Barber in Hatfield

UNITED Nations and European Community officials will this week start implementing a three-pronged strategy aimed at ending the war in Bosnia-Hercegovina, officials in Belgrade said at the week-

But they warned that the process would be slow. "This is a step-by-step process. This is about establishing confidencebuilding measures among all sides in Bosnia," a senior UN official said yesterday.

The strategy involves linking political negotiations at the Geneva conference on the former Yugoslavia with a massive humanitarian aid operation in Bosnia, and an extended monitoring mission on the ground designed to stem the fighting in the former Yugoslav repub-

It follows lengthy discussions over the past few days between Mr Cyrus Vance and Lord Owen, joint chairmen of the Geneva conference, and Croatian, Bosnian and Serbian

leaders. The European Community yesterday expressed guarded optimism about the peace efforts and agreed to refrain from introducing tougher diplomatic and economic sanctions to halt the fighting.

Mr Douglas Hurd, British foreign secretary, said at a meeting of Community foreign ministers in Hatfield in the UK that the EC and United Nations would continue to press the warring parties to place their heavy weapons under international control and close down detention camps in Bosnia in compliance with the London peace conference accords.

Accordingly, Mr John Major, British prime minister, is to write to the presidents of Serbia. Bosnia and Croatia reminding them of their obligations. "There has been some progress, but not enough. Sanctions remain crucial," Mr Hurd said.

Ministers agreed to support an American proposal to impose a "no fly" zone over Bosnia-Hercegovina and said Serbia should be denied the former Yugoslavia's seat at the United Nations. It was also agreed to examine how to set up a court to try suspected war criminals for atrocities committed during the fighting.

republic the guns fired on.

UNITED Nations monitoring of heavy weapons in and around Sarajevo yesterday gave the Bos-

nian capital a relatively quiet day, Reuter

But the UN commander in the city, General

Serb forces yesterday fired heavy artillery

Husseln Ali Abdul Razek, called it "only one

step on a long road to peace". Elsewhere in the

and mortar shells at Bihac for the fourth con-

secutive day in spite of the deadline for the

monitoring of heavy weapons, the town's Mos-lem defenders said.

tank cannon pounded the outskirts of the

north-west Bosnian town and shells landed in

the deserted centre after sirens sent frightened

civilians scurrying for cover. Eyewitnesses heard no artillery being fired from Moslem

UN sources confirmed that Howitzers and

But the proposed ban on military flights would not be imposed in the air, as in Iraq. The best way would be to station observers at airports to prevent a recurrence of the recent shooting down of an Italian plane bring relief supnlies to refugees in Bosnia.

Mr Radovan Karadzic, leader of the Bosnian Serbs, last night threatened to withdraw from the London peace conference on Yugoslavia if a total air exclusion zone was imposed. His forces are trying to consolidate their positions across eastern and northern Bosnia.

The decision to withhold further sanctions against Serbia reflects an effort to strengthen the hand of Mr Milan Panic. prime minister, in his struggle against the Serbian President Slobodan Milosevic. Mr Panic's influence may be Alija Izetbegovic that the EC's increasing, according to Lord cantonisation plan, which Owen, who briefed the minis- would have divided Bosnia into ters on his visit. Lord Owen cited as evidence

the agreement which he and Mr Cyrus Vance, the UN's special envoy, reached with Mr Panic and military leaders of the rump federal government to start placing heavy weapons in Bosnia-Hercegovina under international supervision. This process is under way, though haltingly.

As part of the political strategy, Bosnia's Serb, Croat and Moslem leaders have been invited to Geneva this week for the first round of talks on the future constitutional status of

To give the Bosnians a stake in the negotiations, UN offi-cials told Bosnian President

GUNS FIRE ON AFTER WEAPONS DEADLINE Four hours before Saturday's noon deadline, Serb infantry were also said to have mounted a

three-pronged attack on the village of Golubic, just 5km to the south-east. "It was a long-planned attack with the aim of taking Bihac," said Mr Ramiz Drekovic, commander of the Bosnian Defence Force in one of the last pockets of territory in western Bosnia still controlled by Moslem forces. "The Serbs are given one deadline, then a second and no action is ever taken," Mr Drekovic said.

Bosnian Serb leader Radovan Karadzic said at the weekend that all his heavy artillery was now being watched and monitors would be able to confirm that Serb forces never started firing first. Military sources said UN observers had visited some weapons sites in the Bihac area but co-operation in some places depended on the character of the Serbs in charge. Building up trust was essential, they said.

ethnic provinces dominated by Serbia and Croatia, was off the

agenda.
They added however that military intervention was out of the question. But UN and EC officials told

Mr Panic and Croatian President Franjo Tudjman that territory seized by Croatia and Serbia in Bosnia would never be recognised.

Croatia has already set its own proxy nationalist state in was scandalous that the Crowestern Hercegovina under the leadership of Mr Mate Boban. There, the local Moslem and Serb communities have been forced out of the region.

The humanitarian relief operation forms the second prong of the strategy. This involves closing the camps, allowing those who want to return to do so, and rebuilding the refugees' homes. "This will require a huge financial commitment. We are very disappointed with the international response so far," a senior UN official said.

UN officials concede that many refugees will not want to return because of the fear of reprisals and hatred. This is where the third strategy, known as confidence building measures, comes to the fore.

"We want to place monitors on the borders with Bosnia. deploy UN troops in other cities as well, and have an air cap over Bosnia," a UN official said. "This strategy will back up the humanitarian aid effort, as well as eventually cut down the fighting," he added.

Such a move would reduce the coalition's majority to just two seats, a fact Mr Baykai, a skilful politician, will exploit. Mr Baykai says he will not seek to bring down the coalition. However, his group could wield considerable influence over a conservative-led government, which hitherto has shared few of the CHP's old-fashioned leftist ideals.

Mr Baykal, a 54-year-old lawyer, has three times unsuc-cessfully challenged the deputy prime minister, Mr Erdel Inonu, for leadership of the SHP. His parliamentary group is known to be critical of gov-ernment policy on a number of issues, including the Kurds, where Mr Baykal favours lifting the emergency rule in Turkey's south-east. He is also opposed on nationalist grounds to extension of the allied air operation over north

Over the weekend, party officials said Mr Baykal already had support from four deputies who represented the CHP before the coup. Mr Baykal can also expect backing from 16 of the SHP's 70 parliamentary deputies, reducing the coalition to 228 seats in the 450-seat parliament.

Greece will not waver

civil unrest similar to that in Germany and facing a shortage of accommodation suitable for the winter, has closed the doors of its refugee hostels to

new Bosnian refugees. Other Austrian länder are expected to follow the city's Mr Helmut Zilk, Vienna's

words of Mr Pasqua, Constant

chants by the militants of "Mit-

terrand, fous le camp!" ("Mit-

terrand, get out") were a clear indication of the difficulty that

voters have in separating Euro-

pean and domestic political

"Our opposition to the treaty

and our opposition to the

socialist government springs

from the same principles," Mr

Seguin said with frankness.

'Moreover, we are not naive.

We know only too well how

much a victory of the Yes vote would profit Mr Mitterrand.

The ratification of the Maas-

tricht treaty would be above all

his victory. In the eyes of his-

tory, it would erase all the

errors of the past. That is for

us another major reason to

For many French people, it

has become increasingly clear, that will be the principal rea-

Vienna

closes its

hostels to

Bosnians

By lan Rodger in Vienna

THE city of Vienna, fearing

vote No."

issues in this referendum.

democratic socialist mayor. said that the city's "emotional capacity" to absorb refugees had been exhausted. The estimated 15,000 Bosnian refugees in the city have added to a pool of roughly 300,000 first generation immigrants among a total population of 1.5m. Bosnian refugees have been arriving at the rate of 100 to 150 a day in recent weeks.

The ban applies only to publicly supported hostels. Buses arriving from Bosnia will still be allowed into Austria. Pro-vided they can find shelter through private friends or the charitable agencies, refugees can still enter Vienna.

Mr Zilk said the ban was only temporary and there was speculation at the weekend that it could be lifted within a few weeks, especially if the Croatian government took up Vienna's offer to underwrite the costs of housing up to 1,000 Bosnian refugees in empty hotels on the Istrian peninsula. Mr Franz Löschnak, the Austrian interior minister, said it atian government had not yet replied to Vienna's offer.

Mr Zilk said Austrian authorities had been shaken by the anti-immigrant riots in Germany, and wanted to pre-vent similar outbreaks of xenophobia or disturbances in the hostels. Last week, two Bosnians were arrested for trying to recruit men in Vienna refugee camps to go back home to fight. This infringed Austria's neutrality.

The authorities are also acutely aware of the risk of instability in other eastern European countries, and the consequent potential for more large flows of refugees into Vienna in coming years.

The Green party, one of the main opposition forces in the Vienna assembly, was sharply critical. "This is the peak of inhumanity," a spokesman said. He claimed there were planty of building mitable for plenty of buildings suitable for winter habitation in the city, including military barracks. He feared that other western European cities and countries would follow Vienna's lead.

Turkish coalition challenged from left

By John Merray Brown

THE Turkish government's decision to lift the ban on political parties outlawed after the 1980 military coup has thrown up the first serious challenge to Mr Suleyman Demirel's parliamentary majority, with the revival of the centre-left Republican Peo-

the centre-left hepublican Peo-ple's party (CHP).

Turkey's conservative-led coalition had long hoped the CHP would be quietly absorbed by the former CHP prime minister Bulent Eccept and his Damografic Left agent and his Democratic Left, arguably the real inheritor of what is the country's oldest political party. But the election last Wednesday of the maverick social democrat Mr Deniz Bay-kal as CHP leader raises the prospect that up to 20 Social Democratic Populist (SHP) deputies, now members of the coalition, may leave to form a new party as a first step to joining the CHP.

Iraq to protect the Kurds.

on austerity

MR Constantine Mitsotakis, the Greek prime minister, has said the government's commitment to its new economic adjustment programme will not be weakened, however flerce the opposition from the trade unions, writes Kerin Hope from Athens.

Mr Mitsotakis told businessmen attending a conference in Salonica at the weekend: "We're not going to abandon the battle for a healthy, modern economy. There can be no going back." Earlier, electricity, bank and

transport workers announced they would continue a strike protesting against reform of the state pension system, now in its third week.

Mr Mitsotakis said that efforts to trim the public sec tor deficit would start yielding results this year, with government borrowing reduced to 10 per cent of gross domestic product, and a budget surplus of Dr200bn (£573m).

He predicted that inflation, currently 15.1 per cent, would drop below 10 per cent next year, enabling the drachma to join the exchange rate mechanism of the EMS within 1993. Greece is the only EC member still outside the ERM. Growth this year would be

around 1.5 per cent, he said.

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The International State

NEWS: INTERNATIONAL

Estonia and Latvia close to IMF deals By Clive Cookson, Science Editor

THE International Monetary Fund is expected to approve standby agreements this week for Latvia and Estonia, abling the two Baltic republies to borrow up to \$120m (£60.9m) between them from the Fund.

Estonia and Latvia will be the first republics of the former Soviet Union to conclude fully fledged IMF standby agreements - which provide money to help a country meet its balance of payments shortfalls in return for agreement on an economic recovery programme. Russia has negotiated a preliminary agreement allowing it to draw on a first credit tranche of \$1bn.

Senior IMF officials said the fund was in the process of finalising a similar standby agreement with Lithuania. Kazakhstan and Kyrgyzstan are expected to complete arrange-

Belarus is also making prog-

ress in negotiations with the IMF and officials said they were holding discussions with

The Baltic states' standby agreements are expected to allow them to draw up to 90 per cent of their IMF quotas. This would give Latvia access to around \$81m, Estonia to about \$41m and Lithuania to

around \$91m.
IMF funding will form part of a broader package of exter-nal financial assistance involving substantial aid from the Nordic countries and the Euro-

In its annual report, published last week, the IMF commended Estonia for its progress towards a market economy, but expressed some concern about the slowing of economic reform in Latvia.

IMF officials said they particularly appreciated the "civ-ilised fashion" in which the two countries had left the rouble zone, setting up their own currencies - the kroon in Estonia and the lat in Latvia.

Brussels talks on aid for N-safety

OFFICIALS from 24 western industrialised nations are meeting in Brussels today and tomorrow to work out a co-ordinated system of nuclear stance to the former Soviet Union and eastern

Senior officials and nuclear experts from OECD countries aim to co-ordinate their bilateral aid programmes, following the failure of the G7 summit in Munich last July to agree a \$800m (£406m) multilateral programme to pay for short-term safety work on the region's 25 most dangerous reactors. These are in Russia. Lithuania, Ukraine, Bulgaria and Czechoslovakia.

The bilateral assistance announced so far amounts to about \$300m - with about 90 per cent of that coming from the EC. Most of the EC aid so far has been paid for work in Bulgaria.

The meeting is not expected to provide much more money but is intended to ensure that existing funds are spent more

Big investors in Hungary think again THE trail-blaz- would come under pressure

Changes in the economic climate have upset company plans, writes Nicholas Denton



ment at all?

be so quickly liberalised.

ing western companies which started to invest in Hungary at the end of the

the Hungarian currency. Take the car manufacturers. GM, Ford and Japan's Suzuki Motor established a presence THE 1980s are EUROPEAN beginning to in Hungary on the understand-MARKET ponder what ing that their investments would earn the country hard they should currency and so win access to have done differently. the protected local market. Should they have committed

General Motors, for instance, less money? Less precipitately? In a different location? Or combined production of both cars and components at its maybe not made the investgreen-field DM400m (£143.3m) plant in Szentgotthard which Investment decisions made opened this year.

It hoped exports of car engines produced there would

from rising local costs and the

relative strength of the forint,

two, three or even four years ago, when Hungary became the first east European country to open up to western companies, meet the foreign exchange costs of imports of kits for local assembly of Astra models are now coming to fruition. But the economic climate has changed dramatically. for the Hungarian market. But then the Hungarian gov Multinationals led by such ernment moved unexpectedly

US companies as General Elecquickly to liberalise car tric, General Motors, Guardian imports. GM Hungary has a Glass and Ford are finding that one-shift capacity to produce a many earlier assumptions no paltry 15,000 cars a year at longer hold good. Szentgotthard. But managers No one anticipated the sharpness and duration of the admit it would be much more efficient to make the cars at fall in Hungarian domestic larger western plants and demand, or realised the pro-tected domestic market would import them into Hungary.

Moreover, as a result of the Hungarian recession and Nor did anyone predict that import competition, only about 7,000 Astras are likely to be east European trading links would disintegrate so rapidly, sold in Hungary this year. GM and that exports to the west is in the awkward position of

importing kits and assembling them in Hungary at high cost, only to re-export the completed cars back to western Europe. Depressed demand - both in

Hungary and in the rest of central and eastern Europe - is also posing problems for Guardian Glass, the privatelyowned US glass maker.

Guardian, one of the first large investors in eastern Europe, agreed a \$120m (£61m) joint venture in Oroshaza in the south-east of Hungary. The

No one predicted how sharply domestic demand would fall

decision was motivated by the promise of a large east European market for float glass, together by the cheapness of energy imports from the Soviet Union. Neither assumption has

been borne out. Guardian is managing to sell only 25 per cent of its output in eastern Europe, half what it planned. Instead it has to export to Italy and other west European countries. Transport from Hungary costs much more than for deliveries from Guardian's Luxembourg plant, outweighing Oroshaza's advantage of lower labour costs.

"If the company knew that all this would happen. Guardian would still invest - I think

- in Hungary; but not necessarily in this part of Hungary. finance director of Guardian in Hungary. Mindful of the difficulty of transporting bulky glass from the south-east of Hungary to western Europe, he concludes: "It would have been green-field site somewhere

General Electric, by contrast, always expected most lightbulb production from its GE-Tungsram joint venture to be exported to western Europe. But GE has seen unpleasant surprises in other areas. Hun-

further west."

gary's tight monetary policy and relatively strong currency have unhinged some of GE's assumptions. Although the forint has been devalued, it has been by less than the inflation rate, which peaked at a rate of 38 per cent last year - leading to a revaluation in real terms.

"If I had known that we would have a devaluation-inflation gap of this magnitude, we probably would have invested less," confesses Mr George Varga, chief executive officer of CE-Tungsram.

Another reason for dashed expectations has been the

down. Ford's components facility at Szekesfehervar, which exports all its output, has suffered from the decline in the west European car market. With hindsight, the company says it would have curbed its \$\$3m initial investment.

The recession also adds to pressure from another direction. With global earnings faltering, multinationals' shareholders are increasingly impatient for Hungarian operations to make a contribu tion, "There is a demand for immediate results," says Mr David Fuller, managing partner of Price Waterhouse Budapest, a branch of the interna-

tional accountants. For some investors, the problems have been insurmountable. German metal companies Korf and Metallgesellschaft pulled out of a joint venture at Hungary's Ozd steelworks last year after heavy losses.

Most western companies however, maintain confidence in the future.

The quality of the local work force has been better than what Mr Fuller calls an "inner belief" that Hungary will develop into a valuable new market place. A golden future, however, is further down the trail than they first thought.

Russians urged to study capitalism

By John Lloyd in Moscow

A CALL for the first coherent and co-ordinated system to educate the Russian workforce in the basics of capitalism was made to the government yes-

terday. A report by a commission of Russian and western experts urges short courses across a range of disciplines - banking, insurance, commercial law, marketing, office skills, business management and government economic management. It says existing courses and teaching materials are of a low quality, haphazard and have no national standards.

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Ministration Manager

그 나는 사람들

The report warns that "millions of adults will need to change their activity and occupation". that "Russians have no idea of the market econ- training in Russia'

omy" and that "virtually the entire Russian legal profession

requires retraining" The authors revealed yester-day the scale of the changes demanded; 800,000 civil servants require instruction in the basics of the market economy and more than 1m accountants need retraining.

sky, of the School of International Business and one of the report's authors, said training in the new economics must be geared to the specific conditions of the Russian economy - including the "illegality or

semi-legality of much Russian commercial activity". Mr Feodor Prokopov, first deputy labour minister, said the report represented "the first step towards professional

Australians win gold mines access

By Leyla Boulton in Moscow

A SMALL Australian company said yesterday it had won the first foreign stake in Russia's closely guarded gold mining industry by paying \$200m (£101.5m) for a deal giving it access to the country's largest proven hardrock deposit.

Star Technology Systems said a joint stock company in which it holds 31 per cent would have exclusive rights to develop Sukhoi Log, a prime mine with unexploited reserves estimated at 1bn tonnes of gold ore (with a yield of 2.5 grammes per tonne). Feasibility work on development is

expected to start next year. Lenzoloto, the state-owned enterprise which holds the licence to Sukhoi Log, produced 10 tonnes from its existing alluvial mining operations last year. But it has sought a

foreign investor to improve its efficiency and start work on Sukhoi Log, which could yield

20 tonnes a year by 1996. The registration of the new joint stock company, also called Lenzoloto, ended a battle with and among Russian authorities over whether Sukhol Log should be offered to other potential bidders.

The deal is an impressive coup as standing behind Star is a tiny listed company called Central Mining Corporation, which made losses in 1989, 1990, and 1991 and was nded from the Australian stock exchange from November to April this year.

It is also a victory for Lenzoloto, which encountered fierce resistance to bringing in foreigners of its own choice from Russia's collapsing state gold mining monopoly structure, Rossalmazzoloto.

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'Iraqi principle' applied to African relief efforts

UN and aid agencies are under pressure to develop a new strategy in the Horn of Africa, writes Julian Ozanne

pressure to develop a new long-term relief strategy in the Horn of Africa amid mounting criticism of relief efforts in Somalia, Sudan and Ethio-

The highest-level UN team to visit the Horn of Africa led by Mr Jan Eliasson, under-secretary general for humanitarian affairs, and Mr James Grant, executive director of UNICEF, is touring the region. They have been told the UN must address

the crisis in the Horn in a new way.

"Year in, year out we come back to square one - innocent civilians starving and at the mercy of evil governments and ruthless rebel leaders who use food as a political weapon for military ends," said Mr Abdul Mobamed, an expert on humanitarian relief in the Horn. "The whole way the UN does business in the Horn must now be dramatically revised to search for long-term solutions.

The critical issue under review is sovereignty. Relief efforts in Sudan, Somalia and Ethiopia have traditionally been hampered by the international aid community's respect for sovereignty, which has allowed dictatorships to veto and manipulate relief efforts. The Islamic fundamentalist military regime in Sudan, for exam-ple, stopped all relief flights to southern

HE United Nations and interna-tional aid agencies are under Sudan in March to strengthen their most successful military offensive against rebels in the nine-year civil war.

The campaign to review sovereignty mounted by African relief experts has been boosted by the UN-approved intervention in Iraq, Yugoslavia and Somalia.

"If the UN can say that the humanitarian imperative of saving the lives of Kurds and Shias in Iraq overrides the claims to sovereignty of President Saddam Hussein, then why shouldn't that principle be extended to Sudan and other African countries where governments have lost their moral right to sovereignty by failing to feed and protect their people?" asks Mr Kosti Manibe, deputy general secretary of the Sudan Council of Churches.

In Somalia the arrival of the first armed UN troops to protect relief supplies from handitry and looting, expected today, is being heralded by relief experts as the first extension of the "fraqi principle" to Africa. But the exercise is still constrained by

what many observers term the "old way of doing business". First there is the problem of relations with the warring factions. The UN and non-governmental agencies continue to negotiate with the warlords on deployment of troops and relief operations. The UN and NGOs have also, under the authority of the warlords, employed sev-eral thousand gunmen. They say it is necEuropean Community foreign ministers yesterday agreed to improve the humanitarian aid effort to Somalia, which the UK's Mr Douglas Hurd described as a "unique tragedy" caused by famine and the complete breakdown of law and order. Lional Barber and agencies report.

Some 185,000 tonnes of food are being dispatched, as well as some Ecu50m (\$72m) of non-food aid.

The European Commission is to send observers to Somalia to improve aid co-or-dination. Mr Hurd is to hold talks with Mr Boutros Boutros Ghali, the UN secretary general, to work out plans for a political solution Meanwhile, the first 60 of 500 UN troops

essary for the short-term goal of distributing food.

Mr Murray Watson, a Somalia specialist, says that by dealing with the warlords as if they were governments the agencies are legitimising their position, which will make matters worse in the long term.

"These guys are criminals and butchers and should not be encouraged nor treated as legitimate authorities," he says. "It's a protection racket and this cycle of criminality has to be broken if relief is going to reach those in need and if a climate of being deployed to protect humanitarian workers and shipments in Mogadishu. Somalia's lawless capital, were expected to arrive today, officials said.

International efforts to get food to Somalia's starving continued with the United Nations and the International Committee of the Red Cross announcing plans to increase sharply the amount of food reaching there.

The effort was underscored on Saturday by UN officials who ended a three-day tour of Somalia promising not just increased food aid, but greater efforts to get seed, medicines and vaccines to the nation's vulnerable millions.

The second big problem is the continuing lack of co-ordination among the agen-cies. UN agencies and NGOs continue to squabble and fly their own flags. "If humanitarianism is their objective, rather than grabbing publicity and boosting their donor appeals, the UN and NGOs should urgently form a single, coherent relief administration following a single integrated programme," says Mr Watson.

Experts also say the agencies have yet to produce a comprehensive assessment of needs and establish a monitoring system to ensure that relief is actually getting to those in need and not producing a vicious spiral of food aid dependency.

Furthermore there still appears to be no strategy for the long-term rehabilitation and development of Somalia. The re-establishment of the economy and the institutions of civil society, such as a police force and judiciary, will require the international supervision of a process of political dialogue leading to an interim administration. So far this has not received any serious attention.

"If delivery of emergency aid is not accompanied simultaneously by a political process the entire effort will go to waste," says Mr Mohamed.

Similar issues are being argued in southern Sudan. In a paper presented to the UN team Mr Lam Akol, one of the ading Sudanese rebel officials, presses for a review of relief efforts.

Mr Akol says the situation is southern Sudan is now worse than it was three years ago when Mr Grant launched "Operation Lifeline Sudan" - an ambitious relief programme designed to arrange the delivery of food and medicine to the warravaged civilian population.

The operation has been consistently undermined by both the government and the rebel faction led by Mr John Garang. In the past eight months the government has banned UN flights to certain towns in

an effort to deny food to rebel supporters. Meanwhile, a UN airlift of food to the besieged garrison town of Juba, where up to 300,000 people are in critical need of food, has been halted several times because of rebel threats to shoot down

relief aircraft. The UN estimates that at best it is able to reach 10-20 per cent of the southern population displaced by the war and desperately in need of food and medicine.

in his paper Dr Akol calls the actions of both the government and Mr Garang's rebel faction "criminal". He says observing sovereignty is "unrealistic". "The UN must use to the fullest extent the new strong role it has acquired since the collapse of the east-west polarisation to enforce the respect of human rights," he

Among the measures Mr Akol is press ing on the UN is the establishment of an "exclusion zone" in southern Sudan, blocking government bombing raids and allowing UN use of force to deliver rellef, and involvement in negotiations to end the civil war.

Many of these issues challenge the UN and NGOs to travel down new roads. But Africans on the ground say that without a new initiative the world will be forced to continue feeding the starving next year and the year after.

Zairean currency falling sharply

By Julian Ozanne in Nairobi

ZAIRE'S currency is in free fall as a result of continuing political instability and economic mismanagement in Africa's second biggest nation. The nose dive of the zaire

reflects the inability of Zaire's feeble central authority to resuscitate the mineral-rich economy and restore political stability after army-led looting wrecked Kinshasa and other towns in September and Octo-

This month the zaire has fallen more than 30 per cent against the US dollar from Z690,000 to Z1m. The increasingly rapid depreciation of the zaire followed a move by the Central Bank to inject Z8bn into the system at the begin-ning of the month. Exactly 12 months ago the zaire was trading at Z18,000 to the dollar.

At the moment there appears little sign of a recovery and the return of several thousand western businessmen who fled the violence last year until a stable political authority is installed.

A government created in August by a pro-democracy conference and led by Mr Etienne Tshisekedi, a seasoned ment of President Mobutu Sese Seko, has been paralysed. Leaders of the mineral-rich province of Shaba, which tried to secede from the country during the Katanga crisis of the early 1960s, have said they

will not recognise it. The new government has promised to call early multi-party elections and President Mobutu, widely viewed as personally responsible for the chaos of the country, has said he will stand as a presidential candidate.

Third world crisis

BANKS and governments may be getting the upper hand over the third world debt crisis but it has not gone away and poor countries will have to fight to win more funds in coming years, the OECD said today

Reuter reports from Paris. "The debt problem has certainly not been resolved nor has it at all gone away in any global sense," the Organisation for Economic Co-operation and Development (OECD) said in Its annual aid report.
The Paris-based think-tank

when deciding which develop-

for the world's richest countries noted that while the crisis had eased in Latin America, where most of the main debtors are, the problems for sub-Saharan Africa had worsened. Since government lenders were now looking much more closely at issues such as human rights and democracy ing countries to help, political

reforms must continue. At the same time, the third world will need to persevere with economic liberalisation to attract private finance, since a big increase in official aid is unlikely in the near future.

The OECD praised creditors for reaching landmark deals with some debtors. "There have been clear improvements in a number of countries, which are now implementing better economic and structural adjustment policies, assisted by debt agreements. Nevertheless, the situation remains critical for many others."

The OECD applauded the debt deals reached with commercial banks by several Latin American countries - includ-ing Mexico, which set off the debt crisis a decade ago - saying these had played a part in turning round their economies.



Thousands of settlers from the Golan Heights and West Bank demonstrate on Saturday night against suggestions of territorial compromise in this week's peace talks in Washington

Rabin's hint of compromise angers Israeli right

By Hugh Carnegy in Jerusalem

THE Israeli government faced a chorus of protest over the weekend over its willingness to exchange occupied territory on the Golan Heights for peace with Syria as its team of negotiators flew to Washington for the resumption today of Middle East

For the first time since the Likud party of former prime minister Yitzhak Shamir lost power to the Labour party and its left-liberal allies in the general election in June, right-wingers, led by the Likud, mounted a high profile demonstration against the new government, massing thousands of protesters at Ben Gurion airport as the negotiating team left the coun-

Mr Itamar Rabinovitch, Israel's chief negotiator with Syria, said he hoped progress would be made in Washington over the next 10 days on agreeing a "joint

document of principles" with Syria, Mr Yitzhak Rahin, the prime minister, said he wanted bitherto unscheduled further talks with Syria and the Palestinians, Jordan and Lebanon in October, Instead

of waiting until after the US elections in November.

However, Mr Rabinovitch said progress in the talks was bound to be slow. "Breakthroughs and also painful concessions are of a sort that they will come, if they will come, later and not at this point." Israel yesterday issued a formal public protest against the decision by US President George Bush to sell up to 72 F-15 warplanes to Saudi Arabia, saying it

would continue to make its view know "to those in power and the public in the United States".

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warning of swindlers

By Jimmy Burns and Michael Holman in London

BRITISH police say they have uncovered fresh attempts by Nigerian conmen to draw UK banks and businesses into fraudulent transactions potentially worth millions of pounds.

According to police officials,

"hard core of Nigerian fraudsters" has been trying to engage UK companies in trade involving forged letters of credit and bank drafts.

The Financial Times has

been shown copies of counterfeit letters of credit purportedly issued by a branch of Standard Chartered Bank and advised by National Westminster Bank earlier this summer. The letter covered a planned

shipment from Cooper Printing Equipment, a Hertfordshirebased company. The police were contacted about the attempted transaction after NatWest alerted the company that the financial documentation was fraudulent.

Mr Christopher Cooper, the company's technical director, said: "Our policy here is that we release no goods until everything is verified by the banks. Nigeria is a very unreli-Police say the potential for

fraud of this kind has increased as recession puts more pressure on companies to secure sales. Methods used by the Nigerian conmen have also become more sophisticated. Although NatWest has

agreed to go public on the issue, other banks are understood to have had their names used in forged documentation

NatWest says that while careful handling of documentation should stop obvious frauds from getting through the banking system, "during a recession you can understand how the need for business can cloud someone's better judgment". The latest Nigerian fraud

bears similarities to one dis-

covered in January when British exporters in Leeds uncovered transactions involving a fictitious branch of Nigeria's Wema Bank and a bogus finance company in New York. Separately the FT has been passed a copy of a letter sent from Lagos last month to a leading London-based car

dealer offering a substantial commission in return for help in transferring \$19m of unaudited funds from Nigeria. The sending of such letters became widespread last year. leading to a crackdown involving British police, the Foreign

Office and the Department of Trade and industry, with the co-operation of the Nigerian government. But the letter suggests the problem may be about to reemerge, along with the more sophisticated fraud identified

by police following its intercep-

tion by NatWest. Detective Inspector Paul Brown of the Metropolitan and City of London Police's fraud squad says: "We believe that Nigerian fraud is not as extensive as it was. But the practice doesn't seem to be going away.

It is an on-going problem." According to officials of the Confederation of British Industry, suspected fraud reported by its members had in recent months become less wide-

end of last year, when the CBI issued the first of several statements alerting businesses to the danger of multi-million-pound swindles involved in fraudulent trade with Nigeria. But an official warned that

the practice was still a poten-tially destabilising factor in the UK's links with one of its main third world trading partners.

The official said: "Nigeria is our biggest market in sub-Saharan Africa. This sort of thing just knocks it all."

The letter obtained by the FT explains that the funds derive from "a government contract to a foreign firm which is pending payment" and which was arranged by members of the armed forces linked to the previous regime. President fbrahim Babangida, Nigeria's cur-rent military leader, seized

power in a coup in 1985, The implication is that the account has been overlooked in the confusion surrounding the coup that brought the present government to power and that some of the unaudited funds will be spent on cars distrib-

uted by the recipient The letter asks the car dealer to send the following documents by courier service to an address in Nigeria: blank headed letter paper signed by the dealer, blank pro forma invoices, also signed and stamped, and the company's

bank account. The letter says military "friends" of the sender have earmarked how the alleged funds will be shared out: "the owners of the business 60 per cent, the accounts owner 30 per cent, for local and interna-

spread than it was towards the tional expenses 10 per cent". The letter was posted from Nigeria early last month to a leading Mayfair car dealer, at an address no longer occupied by the company. It was opened by accident by the present occupant, who passed it onto

> The letter does not suggest there has been any previous contact with the company. Police have confirmed that the letter bears all the hallmarks of a fraud that has been widespread practice over the past 18 months, with companies receiving unsolicited letters of

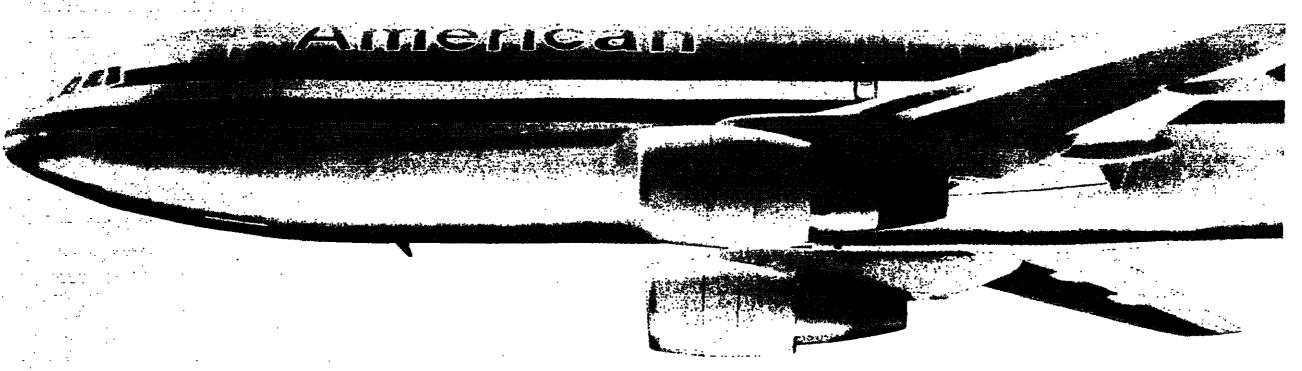
> this nature from Nigeria. According to diplomatic sources in Lagos, the financial document scam is only one of several with which Nigerian swindlers of "world-class quality" have been raking in millions of dollars from victims in Europe, the US, and elsewhere.

> A Nigerian last month received a four-year jail sentence in a London court after being found guilty of obtaining money by deception. The individual was caught

after a sting operation involving British police and a small UK company which had lost more than £100,000 (\$200,000) h a preliminary transaction.

In recent months, the Niger ian government has tried to pursue potential fraudsters under a special section of the criminal code which covers obtaining money by deception.

But British investigators say potential fraudsters are still managing to avoid arrest in their own country by using false addresses and taking advantage of the inadequate



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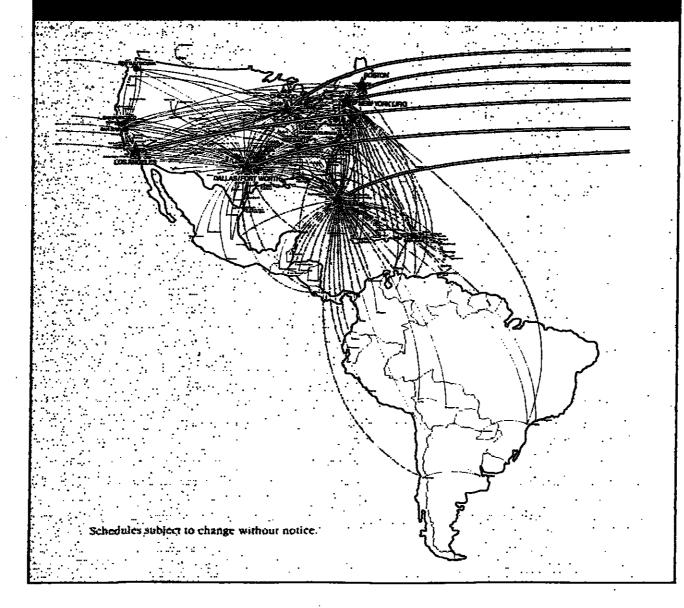
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Minister to quiz Brazilian bankers hopes on Kiwi-bashing

in Rio de Janeiro

THE Brazilian economy minister is to demand explanations from the heads of the country's two largest state banks over allegations that they are using government funds to persuade congressmen to vote against the impeachment of President Fernando

The move follows publication in the Folha de São Paulo newspaper of a list of 190

GOVERNOR Bill Clinton (above left) launched

drive, to be led by the Rev Jesse Jackson (above

the Democratic presidential ticket, AP reports

But questions remain as to whether relations

Mr Jackson sought to add the first unregis-

tered voters to the roll during the seventh

annual Black Family Reunion in Washington

saying the vote "has so much power". The

event is sponsored by the National Council of

Negro Women to draw attention to problems

Mr Clinton and Mr Jackson spoke briefly

between the men have warmed in the wake of

Mr Jackson's complaints of a "push-off" strat-

ers to the rolls in the h

egy by the Clinton campaign.

suffered by black families.

at the weekend a national voter registration amphitheatre in the shadow of the Washington

right), in an attempt to add thousands of black each other in recent weeks. Mr Jackson has

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the nur

have been promised, or already given, funds for projects such as roads, bridges, dams and hospitals in their areas to help elect their candidates in next month's municipal elections. In return they are expected to

The money is allegedly being released by Mr Lafaiette Coutinho, president of Banco do Brasil, Mr Alvaro Mendonca, head of the Federal Savings Bank, and Mr Ricardo Fiuza, the social action minister and

support Mr Collor.

congressmen who were said to political co-ordinator. Known as the "shock brigade", these three are now Mr Collor's main political advisers.

Mr Marcilio Marques Moreira, the economy minister, said he did not believe the charges but would today call in the two bank presidents to discuss it. He is anxious to prevent spending which could compromise his austerity policy, particularly as inflation is on the increase, reaching almost 25 per cent a month in August.

backstage after the event, held at an outdoor

Monument. But while they have been polite to

Clinton campaign workers said the registra-

tion drive would include 300 events in 30 cities.

On Saturday they included an appearance by

Mrs Hillary Clinton in Arizona and one by Mrs Tipper Gore, wife of Senator Al Gore, Mr Clin-ton's running mate, in Maryland. The campaign

also said registration booths were set up at

football games across the country.

Later, Mr Clinton appeared at a crab feast in
Fairfax County, a Washington suburb and one

of the nation's wealthiest communities. The

Demonstrators met Mr Clinton with chants supporting President George Bush.

crowd there was almost all white.

red cool to the Democratic 1

There is no doubt, however, that a flurry of projects is suddenly being approved. In Friday's official Daily Gazette alone there were four pages of new projects by the Social Action Ministry totalling Cr10.6bn (£1m).

In an interview in yesterday's O Globo newspaper, Mr Coutinho said: "We are simply responding to some needs of society." But an Economy Ministry official admitted: "For Mr Collor the number one priority

In an attempt to prevent vote-buying, Congress will today discuss setting up a commission to inspect all federal spending before the impeachment vote, expected to take place at the end of this month. Mr Ulysses Guimarães, Bra-

zil's longest-serving congressman, said: "There is no doubt that release of funds is coinciding with changes of voting intention. It's a disgrace that a deputy should be swayed by a bridge or some other public

NEWS IN BRIEF

Taiwanese lawyers seek tycoon's release

LAWYERS for Mr Oung Taming, a Taiwanese textile tycoon, renewed efforts to obtain his release from jail at the weekend amid fears that his detention could have serious repercussions on

the stock market, Reuter reports from Taipei.

Mr Oung, whose Hualon group is one of the largest in the market, was arrested on Thursday for failing to make scheduled court appearances on charges of involvement in a \$\$22m (US\$13.8m) stock scandal, the island's biggest.

The Taipei District Court, rejecting claims that he was too sick to stand trial, on Friday ordered him detained without bail, citing the possibility of him fleeing abroad. Mr Oung's lawyers petitioned the court again on Saturday to release him on bail saying his health was deteriorating.

Newspapers reported that the court would consider the petition today when it reopened after the Mid-Autumn Festival public holidays.

New strike threat at GM

A new strike threat faces General Motors this week, only days after the largest of the Detroit car manufacturers settled a labour dispute which idled plants in seven states, writes Nikki Tait in

Late on Friday a branch of the the United Auto Workers union at the Inland Fisher Guide division in Anderson, Indiana, requested that union leaders issue the required five-day notice for strike action by employees at the plant. At issue are a variety of local grievances, including GM's proposed transfer of some work to outside companies.

The issuing of a strike notice by union leaders is not automatic. However, if strike action did go ahead at the plant - which makes accessories for cars and trucks assembled on the continent it would cause considerable distription to operations.

Date set for fixing border

Honduras and El Salvador will begin defining their new border by December following an International Court of Justice ruling that ended a century of border disputes, a Honduran diplomat said at the weekend, Reuter reports from Tegucigalpa, Honduras.

The court ruling on Friday gave Honduras 69 per cent of the 419km of territory in dispute, with the remainder going to El Salvador, which gained the islands of Meanguera and Meanguerita in the Gulf of Fonseca.

The court assigned Honduras the island of Zacate Grande in the Gulf of Fonseca, the diplomat said. Both countries must begin laying out their new border no later than December 11 according

Afghan buffer force intervenes

A neutral Afghan buffer force has pushed government forces and rival dissident Hezb-I-Islami fighters out of positions to the south of Kabul to try to bring lasting peace to the battered city, a provincial commander said yesterday, Reuter reports from

"We have taken over the positions of the government and

He commands 1,000 men stationed at two posts on Kabul's eastern outskirts. A few days ago fighters of the radical Hezb-i-Is-lami manned a checkpoint in the same place.

Victoria, Australia's second most populous state, have been entertained recently by a series of Labor party advertisements showing disgruntled New Zealanders complaining about their conservative government.

The campaign provoked an exchange of insults between Melbourne and Wellington. including a graceless jibe by Mr Jim Bolger, the New Zealand prime minister, about the physical appearance of Mrs Joan Kirner, Victoria's Labor

It was an unedifying incident which is probably best forgot-ten, except that it illustrates the lengths to which Labor is prepared to go to fend off the looming prospect of virtual political oblivion.

Labor has been the dominant force in Australian politics since the defeat of Mr Malcolm Fraser's tired and ineffectual conservative coalition by Mr Bob Hawke in 1983.

Mr Hawke, together with Mr Paul Keating, then deputy prime minister, and state leaders such as Mr Neville Wran in New South Wales, Mr John Cain in Victoria, Mr John Bannon in South Australia and Mr Brian Burke in Western Australia (WA), gave Labor a modern, technocratic image at odds with its class-based past.

For a while it looked as though Labor had emerged as Australia's natural party of government, especially when the conservative Liberal and National parties began to fragment in the face of personal and ideological tensions.

There were big differences between the style and policies of the various Labor leaders. Mr Hawke's generally free-market and deregulatory approach contrasted sharply, for example, with the interventionist policies pursued by Mr Cain.

Nevertheless, the Labor vote was swollen almost everywhere by the economic boom which swept the country between 1983 and 1990. By the end of the decade the party was in power in Canberra and in every state except New South Wales.

Two years into the 1990s. every one of Labor's big names of the 1980s has retired in the face of public disapprobation, with the sole exception of Mr Keating, who forced Mr Hawke aside after a messy leadership struggle in December.

RLEVISION viewers in Since 1990 Labor has faced an election only in the small island state of Tasmania, where it was defeated by the Liberals. But the electoral cycle is gathering pace, and the party faces the prospect of further defeats in Canberra and three other states over the

next 18 months. Much of the decline has been caused by regional issues, notably poor economic management which has forced Victoria and South Australia to

The Australian party is prepared to go to extreme lengths to fend off the prospect of political oblivion, writes Kevin Brown

financial institutions, and a long-running scandal in Western Australia over allegedly corrupt links between ministers and local businessmen. Thanks to good electoral management, the first test will come this Saturday in Queensland, where Labor has a good chance of retaining the power

it won in 1988. However, while the Queensland poll will be good for Labor morale, the likely victory will be based on local issues with little relevance elsewhere mainly continued repugnance at the corruption of the previous National party government of Sir Jo Bjelke-Peterse

A more reliable guide to national political sentiment will come on October 3, when Mrs Kirner's Victorian Labor government goes to the polls in an election it has almost no chance of winning. If Labor's unpopularity was

based solely on state issues, the federal government would have little to worry about, since Australian voters frequently switch between parties at federal and state elections. But the opinion polls show that voters are also holding the federal government responsible sion and weak recov-

cent since the economy began to slow in 1989. Mr Keating's strategy has

ery which has increased unem-

ployment to more than 11 per

been to pump-prime the econ-omy through a series of economic packages, while trying to divert attention from economic issues through campaigns to change the flag and abolish the monarchy.

Meanwhile, the conservative coalition has been revitalised under the leadership of Mr John Hewson, the Liberal leader, who has put forward a comprehensive plan to shake up Australian industry through labour market reform and free trade.

Perhaps unwisely, Mr Hew. son has let it be known that he admires the economic transformation wrought by successive New Zealand governments. which have substantially improved competitiveness by liberalising the capital and labour markets, squeezing out inflation and abandoning protective tariffs and subsidies.

In the short term, however, the more obvious effects of change in New Zealand have been a lengthy recession and social dislocation caused by privatisation and government spending cuts.

It is this aspect of the New Zealand experience which is providing ammunition for Labor in Victoria, and for federal leaders such as Senator Peter Cook, the employment minister, who recently suggested that Wellington was creating an economic underclass which would subse-

quently flee to Australia. The strategy has the dual advantage for Labor of presenting the conservatives as freemarket demagogues while also playing to the widespread Australian prejudice against New

Zealanders. Kiwi-bashing is an old sport among Australians, some of whom find disparaging their closest cousins a useful element in the national struggle to define a distinctive post-co-lonial identity. However, in the absence of a rapid improvement in the economy, and a consequent decline in unemployment, it is unlikely to save Labor from the consequences

of its own mismanagement Bashing the Kiwis may also be a more risky strategy than Labor leaders think. The signs are that New Zealand is achieving a return to non-inflationary growth. By the middle of next year, when the next federal election must be held, that could be a severe embarrassment for Mr Keating.

Pakistan flood toll climbs to 1,700

AT LEAST 1,700 people are feared to have died much as half the cotton in Sindh had been in floods and torrential rains which hit parts of Pakistan towards the end of last week, writes cotton fields of Punjab. Parhan Rokhari in Islamahad.

There are also fresh fears that the country's economy may suffer due to widespread damaged caused to the cotton crop, regarded as the agricultural backbone. Experts were yesterday continuing their assessment of the crop after Mr

According to weekend estimates by the gov ernment of the semi-autonomous Northern Kashmir state, at least 1,000 are feared dead in

that area alone, in addition to another 700 in parts of Pakistan's Punjah province. Road networks are gradually being restored Majid Malik, the agriculture minister, said as and relief camps set up.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

UNITED STATES E JAPAN **GERMANY** # FRANCE **BITALY** E UNITED KINGDOM 242.8 33.3 248.6 53.5 254.3 56.7 272.6 61.6 310.2 65.2 324.6 51.7 327.3 11.0 279.8 - 174.2 - 159.7 0.7623 21.7 2.2260 40.3 2.1279 39.8 2.0710 42.9 2.0739 52.2 2.0681 37.0 2.0581 76.0 96.2 4.7 0.5890 0.1 0.6708 -8.4 0.7047 -24.3 0.6643 -0.2 3.0 6.7942 6.7948 180.50 1443.0 1985 1986 1987 1988 1989 1999 124.4 133.2 147.3 141.9 126.0 137.0 1986 1987 1988 1989 1990 1991 230.9 - 140.8 - 150.0 0.9836 80.2 70.3 6.9265 7.0354 7.0169 6.9202 -16.4 -32.3 -36.7 -26.3 -14.7 68.0 69.4 65.1 64.5 - 100.2 151.51 120.9 137.0 -99.3 -79.3 -52.3 - 91.8 1.1017 -70.9 -3.0 50.1 83.2 28.3 63.0 -9.0 0.7002 -9.4 -5.7 -4.2 -0.6 6.9441 0.4 6.9598 -1.1 6.9492 0.8 6.9122 83.5 84.0 83.0 80.6 2.4 5.8 2.7 3.4 44.9 44.9 45.4 48.2 89.4 87.8 3rd qtr.1991 65.8 23.2 16.6 159.94 -- 5.0 2.0430 116.5 101.8 102.8 103.4 104.4 31.9 37.3 34.3 35.8 -1.7 -1.2 -5.1 -3.6 -5.5 1525.4 -8.3 1533.8 -7.6 1535.7 3rd gtr.1991 37.9 -2.0 0,6959 90.7 118.5 118.6 118.7 4th qtr.1991 1st qtr.1992 2nd qtr.1992 23.7 25.9 25.4 -1,8 2.0382 -4.3 2.0422 -4.8 2.0511 - 12.4 62.9 64.9 63.1 185.61 -5.6 -5.4 -4.9 -3.3 -4.3 -4.5 -2.6 29.3 29.6 30.5 1.1758 1.1929 1.2082 66.6 26.9 27.2 27.3 29.0 27.8 26.9 27.7 28.5 29.5 26.2 24.9 14.7 - 0.40 101.8 0.2 1533.0 98.0 -0.72 0.6987 -0.40 -0.36 0.67 -0.00 -0.38 0.82 0.10 0.22 1.09 0.59 102.2 101.9 102.8 103.7 103.6 -1.2 -0.72 0.8987 -1.3 -0.82 0.8024 -1.3 -0.85 0.7076 -1.0 -0.58 0.7118 -1.6 -1.54 0.7131 -1.4 -1.34 0.7105 -1.2 -1.17 0.7141 -2.0 -1.67 0.7076 -1.2 -0.94 0.7000 -1.3 -1.06 0.7027 -1.6 -1.31 0.7137 2.0253 2.0417 -- 0.51 September October November December 157.77 63.2 62.0 61.9 63.4 65.1 64.8 63.8 2.0406 2.0325 2.0365 1.2568 1.2993 1.2926 1.2634 6.9451 6.9476 Janua Febru Marci April May June July -0.9 -0.2 -0.9 -1.9 -1.9 -0.14 8.9476 -0.00 6.9572 -0.96 6.9429 0.17 6.9274 1.32 6.9090 -0.64 6.90901 161.18 163.61 165.92 2.0443 2.0456 2.0483 2.0551 103.3 103.4 103.9 104.5 104.9 106.0 -1.2 -1.3 -1.6

Japanese capital account ` Surplus Long-term capital account balance (12-month moving average) -160 1979 Overseas short-term liabilities (Foreign exchange banks) 82 84

Deflationary effects of Japan's domestic difficulties

JAPAN'S current account surplus spells danger for the world economy, but not for the reasons US politicians would have us believe. The surplus is a product of the changed international pattern of Japanese capital flows that has resulted from Japan's domestic financial problems. It is the deflationary consequences of Japan's long-term capital surplus and short-term capital deficit, rather than unfair competition from Japanese companies, that should be worrying US and European policy-

Japan's current account surplus has been rising since 1990. Depressed domestic demand for imports and a surprisingly robust export performance have increased the surplus, in dollar terms, almost to its peak level of the mid-1980s. The surplus, measured in Ecus, more than doubled between 1990 and 1991, as the table shows. Yet while Japan's current account surplus looks familiar, the capital flows which finance this surplus are very differ-

ent. The balance of payments must, by

definition, balance: any surplus on the cur-

flows take a different form from five years ago, with different implications for the world economy. Japanese capital provided the oil which smoothed world economic growth in the second half of the 1980s. The flow of funds into Japan from its net export earnings

was offset by an outflow of long-term capi tal - foreign direct investment, bonds and securities - as Japanese institutions esponded to low domestic interest rates and financial deregulation by expanding their international portfolios. Japanese banks increased the value of their international assets by 200 per cent between 1985 and 1990.

rent account must be offset by a deficit on

the capital account. But today's capital

The outflow of long-term capital from Japanese investors and companies exceeded the earnings on the current account, as the upper chart shows. The balance of payments balanced because the short-term capital account was also in surplus. Japanese banks used a portion of the short-term foreign currency deposits they

fund their lending to domestic Japanese companies. The rapid growth of Japanese business investment was, in part, financed by a net short-term capital inflow.

The collapse of Japan's "bubble" economy and the ensuing difficulties of the financial sector have reversed these capital flows. As the current account surplus began to rise, the long-term capital account also moved into surplus in 1991, for the first time since 1980. Japanese investors have reduced their international portfolios while foreign investors have increased their holdings of Japanese equi-ties. And the flow of Japanese foreign direct investment has been sharply curtailed. Japanese FDI was \$30.7bn in 1991, against \$48bn in 1990.

The combined current and long-term capital account surplus since 1991 has been matched by a short-term capital outflow. But this time the outflow has had a contractionary, rather than expansionary, effect on world financial markets. Japanese banks, burdened with non-performing

obtained from international investors to domestic loans and required to meet the Bank of International Settlements capitalasset ratios by next year, have pulled in their horns.

The short-term capital outflow results from banks' efforts to reduce their stocks of foreign liabilities, as the lower charts show. The latest BIS annual report showed that the decline in gross international banking activity last year was fully accounted for by a 9 per cent contraction

in Japanese banks' balance sheets. The global supply of new credit has effectively ground to a halt as a result. But the problems of Japanese banks are far from over, despite the recent stock market rally. Until their bad debts are cleared from their balance sheets, they are likely to remain cautious about new lending Throw in the effects of heavy personal and commercial sector debts in the US and UK. and high interest rates across Europe, and the outlook for the world economy

remains decidedly deflationary. Edward Balls

Top bosses want pound in ERM despite growing doubts Criticism

sticking to the present ERM

parities, because somehow or

MOST big company bosses still support Mr John Major in his defence of sterling within the European exchange rate mechber are beginning to have doubts. Several are in outright

opposition, The Financial Times has conducted a straw poll among chairmen and chief executives of the UK's 100 biggest compa-nies. The most outspoken opponent was Sir Owen Green, chairman of the industrial conglomerate BTR.

Last week, when BTR announced increased profits for the first half, Sir Owen said the political focus on the extinction of inflation was helping to create market conditions "resembling an economic

He later told the FT "I think realignment would help us out ervations. A company chairwe ought to go in for a free on the dollar". ervations. A company chairman said "I would advocate float and be done with it. Then we'll know where we are. It's no good just devaluing against the D-Mark. That still ties us to a country which has several anism. But a significant num- years of structural change ahead of it. I don't understand the general apprehension about free floating, I put it down either to ignorance or to fear of the unknown".

Other opponents were less forthright and less willing to be identified. The chief executive of a textiles group said that although he thought ling should stay in the ERM. there should be a realignment against the D-Mark. "The key thing our industry needs is a 3 per cent reduction in interest rates and sterling at \$1.75 or lower", he said. "I don't think we could get interest rates down on our own, but a on the dollar".

The chief executive of a food group said "inasmuch as the ERM helps us get inflation down, that's terrific, I wouldn't me out unilaterally. But on the other hand, I can't see the ERM surviving. What's finally going to make it crunch, God knows, but something will. The system is inflexible, and everything we do in trade and commerce needs flexibility".

The point was echoed by the chief executive of another con-sumer group. "As a businessman, I don't like being boxed into a corner. I've come to the personal conclusion that we've got to realign. Devaluing might push the inflation rate up a bit, but I don't mind 3 or 4 per cent inflation if it gets growth back

Even some supporters of gov-ernment policy expressed res-

other we need to get credibility for sterling. Inflation is a bloody great evil which needs stamping out of the system, and maybe for the British this is the only way to do it. But the price being paid is enormous, and it's not at all clear that the Germans are right in their monetary policy". The chairman of a retailing

group said that although he did not believe in devaluing, neither did he think that was the real issue. "The real question is how to get growth into the economy", he said. "That's a matter of consumer and industrial confidence. Now we're in I'd rather we stayed in, because it would be a huge blow to confidence if we came out. But the real problem is that everyone seems bereft of matter", Mr Haskins continideas on how to get confidence ued. "But in that case we'd all back. You can't just leave it to the market".

There remains a hard core of tic problem any more. Things businessmen who believe that there is no alternative to the present policy. Mr Chris Haskins, chairman of Northern Foods, has not always seen eye to eye with the government. But on this issue, he said, the UK had to stick with it.

"The alternative is just too horrible. It must surely be just a question of time before German rates come down, because they can't stick it out either. It may be a horrible mess at present, but it would be crazy to make a move before the French referendum or the US elections.

"If by the end of the year the dollar is still as low and German interest rates are still as high, that might be a different

not be offset against main-

stream corporation tax habilities – has come under

The London Business School estimated last year that UK

companies have more than

amount is growing at £400m a

year. The loD prefers a return to the net UK rate system

which operated until 1965, by which the tax repayment to

shareholders paying less than the basic rate of income tax

was limited to the difference

between the UK and foreign

tax rate at which they were

Pay 'unrelated

Top directors' pay appears to be unrelated to their compa-nies' performances, according

to a review published today by

Incomes Data Services, the

research organisation. IDS looked at the 69 largest

quoted companies which reported results for financial

years ending between September 1991 and March 1992. The

median increase in annual

total emoluments for the high-

est paid director in these com-

panies was 7.9 per cent,

although the average rise was

to profits'

other countries

increasing attack.

higher, reflecting the wide dismore seriously in the UK than tribution ranging from £1.73m Surplus ACT - tax payto £148.000. ents on dividends which can-

be in a mess. It's an illusion to

think that this is just a domes-

are not as dire for us as they

are for the Scandinavians or

The chairman of a manufac-

turing multinational said "l

wasn't a supporter originally.

But having gone in, I see no

alternative to slogging it out.

Otherwise we would just return to the old days of boom

and bust. In any case, the

underlying weakness in the world financial system means I'm not sure what a reduction

in interest rates would do to

Mr David Lyon, chief execu-

tive of the packaging group

Bowater, said "getting in at the level we did provided us with a

rod for our own backs. But

looking out ten years or more,

kick-start the economy.

the Italians".

There seemed to be no discernible relationship between the individuals' earnings

paid director in 23 of the 26 companies whose profits and/

growth and company perfor-mance, IDS said. The highest or earnings per share fell substantially received a pay rise.

Small company audits 'needed'

The government should retain the requirement for small limited liability companies to be audited, according to the president of the Chartered Association of Certified Accountants. Mr David Bishop, a partner

with KPMG Peat Marwick, told the annual conference of the association, which represents 30,000 qualified accountants. many of whom audit small companies, that those seeking the abolition of the require-ment were "wrong, out-dated in their thinking and naive".

Midland Bank is to launch a nationwide initiative to provide equity finance to its business customers. The bank plans to provide funds in

can be lived with. If you have a business which is highly exposed and is a long way from being competitive with its peers in Germany and France, that's tough. But if we want to get into Europe and into world markets, it's a good discipline. If we were to devalue by 10 per cent or so, we would all heave a sigh of relief and stop making progress."

I believe that is necessary and

The point about European competitiveness was picked up by Mr Barrie Stephens, chairman of the engineering group Siebe. "I think it's screamingly painful, and it's going to be, but we have to stick to it. That's what the other ERM countries are doing, and we've got to keep pace with them. I don't think retiring into insularity is an option, even if it would be more comfortable in the short run".

amounts of between £50,000 and £750,000.to

Previous attempts by UK clearing banks to provide equity directly to customers have not met with success though all have autonomous venture capital subsidiaries.

Midland said its Midland Growth Capital unit would employ venture capitalists to assess and monitor investments while bank managers would be carefully briefed on the type of customer best suited for equity finance.

It will provide ordinary and reference equity as well as loans to finance established. profitable small businesses. It would normally appoint a nonexecutive director to the board. Midland expects to invest in 12 to 20 companies a

Deadline for Jubilee Line

London Transport chiefs

believe the planned extension of the Underground's Jubilee Line to Docklands will never be built if it is not given the go-ahead in the next few weeks. Construction was due to have started in April, but the project was put on hold after the financial collapse of Olympia & York's Capary Wharf development.

O&Y meeting, Page 19 | out its proposals.

of two key **Cadbury** proposals

By Norma Cohen,

THE TWO most significant aspects of a report aimed at mproving the performance of British corporate boards may have to be altered, according to Sir Adrian Cadbury, who chaired the committee which drew up the recommendations.

The proposals in question would give non-executive directors special obligations to monitor the activities of executives and introduce a modest

enforcement mechanism. The draft report published in May by Sir Adrian's Committee on the Financial Aspects of Corporate Governance suggested a voluntary code of

practice. It also urged a new Stock Exchange listing requirement under which companies would have to disclose the extent to which they complied with the code and explain themselves

where they did not. Sir Adrian said: There is a great issue about the weight of the role assigned to non-executives. The question they raise is whether we would be dividing the board,'

Sir Adrian said. "We have used the word 'monitor'. People have questioned that". He also said some respon dents had objected to proposals urging the non-executive chairmen of the audit and remuneration committees to answer

questions from shareholders at annual meetings. While he stopped short of saving the committee would be forced to alter its original proposal, he said those sections would particularly have to be reviewed. A final version of the

report is expected to be released in early November. The Confederation of British Industry, in particular, has objected to the enforcement proposals in the Cadbury committee report, saying that they could lead to unnecessary bureaucracy. Sir Adrian said he believed that obtaining the CBI's support would be critical to its success because its mem bers must voluntarily carry

Smith challenged on Maastricht strategy

By Philip Stephens, Political Editor

MR JOHN SMITH yesterday faced a direct challenge to his authority as leader of the opposition Labour party when three members of the shadow cabinet joined forces to attack his strategy over Maastricht and the pound. The challenge came as Mr John Major, the prime minister, faced pressure to announce a decision on the nomination of Mr Neil Kinnock, the former opposition leader, as Britain's second

commissioner in Brussels.

If Mr Major refuses the nomination of Mr Kinnock, it would mark an important break with tradition. But Mr Major, who is said to have indicated in July that he would support the appointment, faces the threat that Mr Kinnock's appointment could infiame opposition to Maastricht among Conservative MPs.

Divisions which have been simmering within the Labour shadow cabinet yesterday turned into outright rebellion Mr Bryan Gould, the most outspoken critic of official policy, was joined by Mr Michael Meacher and Mr David Blun-

1 27 12

kett in public calls for a referendum on the treaty and in a

demand that Labour should be ready to back a realignment of currencies in the European exchange rate mechanism Mr Gould warned that the pound had become a "virility" symbol which was holding back recovery and urged Mr Smith to demand a renegotia-

tion of the "flawed" Maastricht

In a blunt challenge to Mr Smith, Mr Blunkett said: "The unity expected of us in the shadow cabinet should not be the unity of the graveyard". Mr Meacher said the constitutional issues raised by the treaty were such that they could only be decided after "direct consultation" with the

British people.

The three rebels believe that they are reflecting growing dis-illusion within the rank and file of the Labour party with Mr Smith's apparent refusal to attack the government's economic and European strategies. Yesterday a letter signed by 13 of the party's MEPs called on the leadership to renounce its support for Maastricht in the wake of its rejection by Danish voters.

Britain in brief



Big investors expect Yes in France

institutional fund managers overwhelmingly believe the French people will vote Yes in next week's refer-endum on the Maastricht treaty, according to a survey carried out for stockbrokers Smith New Court. Nearly two thirds of the fund managers did not expect sterling to be devalued within the European exchange rate mechanism if the French rejected the treaty. Most investors also believed Germany's Lombard rate would start to fall from nearrecord levels of 9.75 per cent within the next three mouths.

The investors expected a Lom-

bard rate of 9.58 per cent in

three months and 8.41 per cent in a year. But with French opinion polls suggesting the vote is finely balanced, UK equity markets could be in for a sharp shock in the event of a No

vote. "On the evidence of this survey a No vote is not in the New Court's global strategist

Ulster talks in danger

Ulster's political talks are in danger of collapse after bitter exchanges between Protestant unionists and representatives

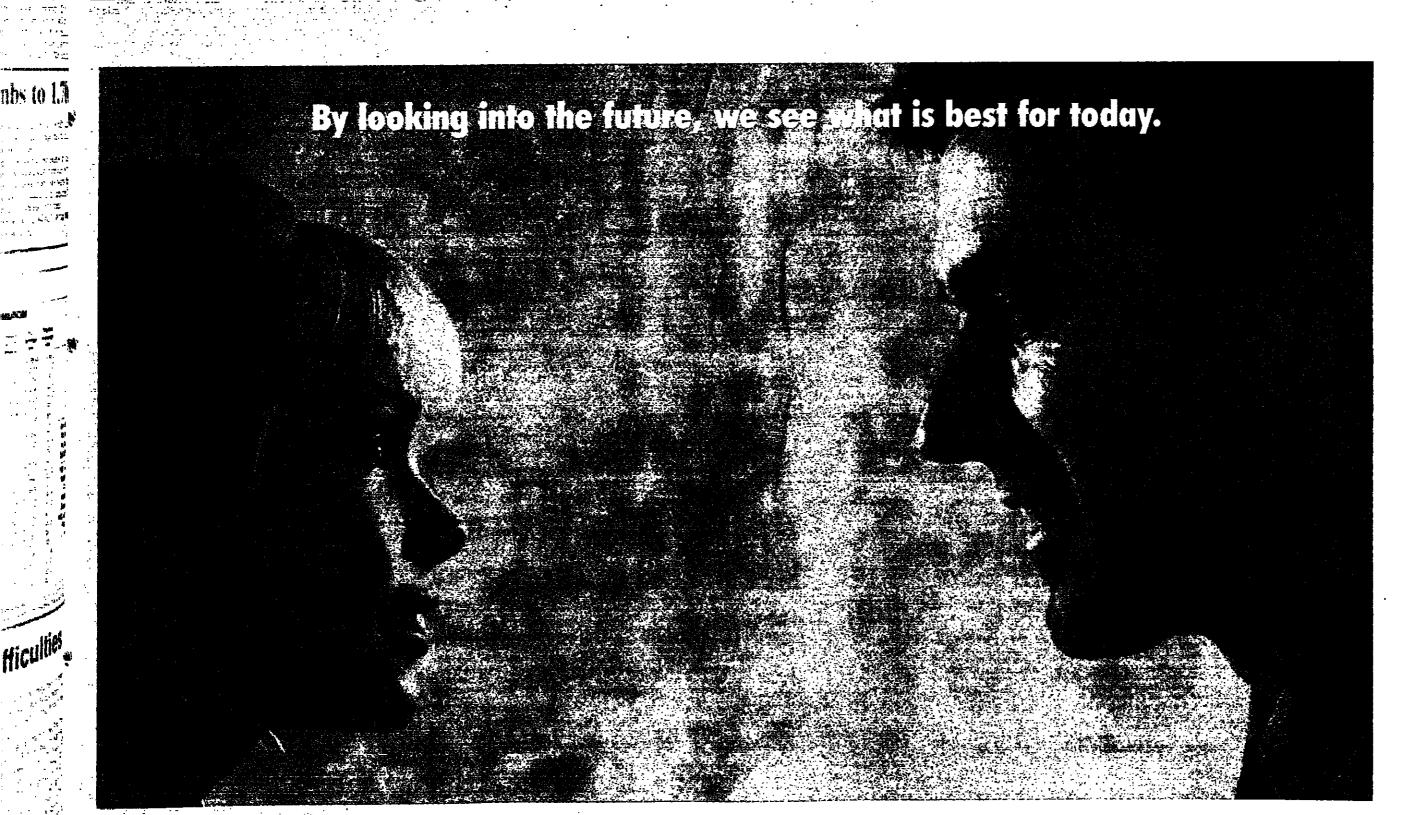
of the Irish government. Mr James Molyneaux, the Ulster Unionist leader, said his party would withdraw from the process unless the Irish government indicated a willingness to remove its constitutional claim to Northern Ireland. He said the amendment of Articles 2 and 3 of the Irish constitution was central to the entire proce

But with Mr David Andrews, Irish foreign affairs minister, insisting that nothing is agreed until everything is agreed, there appears to be little scope for progress.

Corporate tax reform urged

The Institute of Directors has called for immediate reform of advance corporation tax (ACT). It says the existing system is a "burden" which distorts investment and location decisions

Midland plans equity stakes



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The state of the s

INTERNATIONAL COAL REPORT'S

COAL

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or attach your business card and post or fax to: Louise Alsop, Financial Times Newsletters Tower House, Southampton Stre London WCZE 7HA FAX: 071-240 7946

FINANCIAL TIMES

U.S. \$500,000,000 CITICORP •

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UK COMPANIES

COMPANY MEETINGS. Altken Hume Inti Honourable Artil Armoury House, City Road. E C. 12 30 HRclare, St James Club. Menchester 18 00 Reliance Security Group,

Haggas (John) Osprey Comms. Scholes

Scholes Trafford Park Estates

Arjo Wiggins Apple: Detts Donelon Tyson

Martin Currie Pacific

EWECNESDAY SEPT. 16

COMPANY MEETING

COMPANY MEETINGS:
Oudley Jenkins, 80, Fleet
Street, E.C., 10,30
Wyke Group, Birmingham
Botanical Gardens,
Westbourne Road,
Edgbaston, 12,00
BOARD MEETINGS;
Finals:
Altaneac
British Osta Magenti,
Close Bros.
Consmunity Hospitals
Northern Indi Imprymt Tat
Triton Europe
Interims:

rims: bott Mead Vickers sebird Toys

Stag Furniture Steel Burrill Jones

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£487.50

World of Leather

Try Gr

Tibbett & Sritten Trinity Ind. Watmoughs

Kingsaher Unton Park

MB-Carador

Lopex

Reliance Security Group, City of London Club, Old Broad Street, E.C., 12-00 Rexmore, Regent House. Rexmore Way, L'pool, 12 00 Tiphook, Le Meridie Piccadilly, W., 9 30 BOARD MEETINGS Daigety Fil

r. Photo-Me inti. Second Alliance Tst. Star Computer Interims. Airbreak Leisure Aspen Comms. Billiam (J.) Brit. Polythens i

ETS
Forth Ports
Inchcape
Kingston Oil & Gas
Morgan Crucible
Rensomes

E TOMORROW COMPANY MEETINGS: Alba, Harvard House, 14-16, Thames Road, Barking . Essax, 11.00 ESSAX, 11.00
Beverley Group, Hyde Park
Hotel, 66, Knightsbridge, S.W., 11.00
Nobo Group, 38 St Leonards Road, Eastbourne, 12.00
Porter Chadburn, The MITHURSDAYSEPTEMBER 17 COMPANY MEETINGS:

BOARD MEETINGS:

AB Electronic CALA

Christie Group, 6, York Street, W, 10.00 Coletax & Fowler, Merchant Taylors Hell, 30, Thread-needle Street, E.C., 11.00 de Morgan, 20. King Street. S.W. 11 00 Electron House, 17. Birkheads Road, Reigate, Surrey, 11.30 Goode Durrant, The Strand Palace Hotel, The Strand, W.C., 11.00 Grosvenor House Hotel. Park Lane, W., 11.30

Resort Hotel, Epsom Raod, East Horsley, Surrey, 12 00 Road, Sanbury, 300 MITTE Group, Stable Block, Barley Wood, Wrington, Barley Wood, Wrington, Avon, 12.00 Scottish Hydro-Electric, Aberdeen Exhibition & Conference Centre. Aberdeen, 11.00 South Western Electricity, Riviera Centre, Torquay, 11.00 Hivera Centre, I orquey, 11.00 Tomkins, Hyati Carlton Tower Hotel, Cadogan Place, S.W., 11.30 Westport Group, Brookmans Park Hotel, Brookmans Park, Hatfield, Herts., 10.00 YRM, 24, Britton Street, E.C., 11.30

11.30 BOARD MEETINGS: Finals: Dowding & Mills Foreign & Cot High Inc Green (E.) & Pertners Usher (Frank) Baynes (Charles)

Campari Inti.

Pennzoil \$0,75 Quebec (Province of) 1214 % Ln. 2020 95.125

Ragby Gtd. Fitg. Rate Nts. Jun. 1997 \$13323.61

Seagram \$0.14 Sweden (Kingdom of) 93, % Ln. 2014

Thomson \$0.113 Trinova \$0.17 TRW \$0.45 Treasury 9% 1982/98 £4.50 Volvo Group Fin. Europe 10 ½ % Gtd. Nts. 1983 Ecu100.41

Agricultural Mortgage 7 4 % Db. 1991/ 93 £3.875

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Nts. 1994 \$15.33
Creightons Naturally 5p
Holders Technology 2p
Leeds Permanent Bidg. Society Fitg.
Rate Nts. 1998 2298.08

Lloyds Bank Ser.C Var. Rate Sb. Nts.

nicon 6% Cm. Pf. 4,2p

Ma \$0.113

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■ WEDNESCAYSEPTEMBER 16

Guirmess Halifax Bldg. Society Laporte Legal & General MTL Instruments

French Property Tst. Goal Petroleum

Davis Service EBC Eadle Folker

MFRIDAYSEPTEMBER 18 COMPANY MEETINGS: Misys, Watermens Hall, 16, Misys, Watermens Hall, 16, St. Mary at Hill, E.C., 12.00 Norbeln Electronics, 14-16. Ransom (Wm.), 104, Bancroft, Hitchin, Herts... 3.00 m Selective Growth Tst., Stam Salective Growth Tst., 4, Kings Arms Yard, E.C., 11.30 Tinsley (Eliza), Birmingham Chamber of Industry & Commerce, 75, Harborne Road, Birmingham, 11.30 BOARD MEETINGS: Interims:

Interims:
Acsis
Bresdon
Business Tech.
Fired Earth Tites
Fisher (James)
Homby
Macalian-Glenfive
Offices Property
P-E inti. ESATURDAYSEPTEMBER 19 BOARD MEETINGS:

Company meetings are annual general meeting

DIVIDEND & INTEREST PAYMENTS

M TODAY
ABN Amro DPL1.40
British Telecom 8.7p
Brunner Inv. Tst. 2.35p
Christiania Bank og Krediticasse Fitg.
Rate Sb. Nts. 2001 \$229.27
Do. Fitg. Rate Sb. Nts. 1994 \$271.25
Clarke Foods 0.75p
First Interstate O'seas Gid. Fitg. Rate
Sb. Nts. 1995 \$137.08
Honeywell \$0.4125
Kirin Brewery Y5
Malaysia Mining M\$0.03
Midland Int. Fin. Services Gid. Fitg.
Rate Nts. 1999 \$258.33
Reuters 5.3p Reuters 5.3o Royal Bank of Canada Fitg. Rate Db. 2065 \$109.34

2085 \$240 25 E TOMORROW
BankAmerica \$0.325
Bankers Tst. New York Fitg. Rate Sb.
Nts. 2000 \$127.78 Bradford & Bingley Bidg. Society Fitg. Rate Nts. 1995 0256.08 Promsgrove Inds. 2.5p Brunswick \$0.11 CSX \$0.38

al Trustco Fitg. Rate Sb. Cap. Db.

Dana \$0.40 Dover \$0.22 Edinburgh Inv. Tst. 3.65% Cm. Pf. Flash Ser. P Sec. Fitg. Rate Nts. 1983 (Tranche 2) \$1111.67 FPL \$0.61

Louislana Land & Expin. \$0.25 Santander Fin. Issuances Sb. Und. Var. Rate Nts. \$3074.65 re Amer. Sec. 11 % % Db. 2014 Grand Met. 61, % Sb. Cv. Bd. 2002 Telegraph 4.5p Treasury 2% i.L. 1996 £1.99 Reed Export Fin. 105% Gtd.

IN THURSDAY SEPTEMBER 17

■ FREDAY SEPTEMBER 18
Abbay National Tressury Servi
9 ¼ % Gid. Nts. 1998 Ecu92.50
American Int. \$0.14
Dudley Jenkins 2.65p
Nationwide Bidg. Society Sb. F
Rate Nts. 2000 £275.56
North Middland Constrain 0.30 North Midland Constroin 0.3p Sumitomo Realty & Dev. 6.1% Nts. 1998 Y116910.0 Do. 6.15% Nts. 1999 Y120069.0 Do. 6.2% Nts. 2000 Y125838.0 Do. Fitg. Rate Nts. 1996 Y124645.0 Trans-Natel Coal R0.57 ■ SATURDAY SEPTEMBER 19

Treasury 1112 % 2001/04 £5.75 **SUNDAY SEPTEMBER 20** Continental Bank \$0.15 Exchequer 10½ % 2005 £5.25 Japan Dev. Bank 6½ % Gtd. Bd. 2001 Y65000.0

THE WEEK AHEAD

Market focus on Maastricht

UK manufacturing

% change month-on-month

Jan 1992 Jul

(up 2.7 per cent on year); Swe-

den, August trade balance (SKr2bn surplus); Finland,

August CPI: Germany, Federal bond consortium sets terms on

new Treuhand bund; US, Fed-

eral Reserve governor Lindsay addresses NABR conference;

Holland, Dutch 1993 budget

PSBR (\$3.5bn), August retail sales (up 0.2 per cent on

month, up 0.3 per cent on

year); US, August industrial

production (down 0.4 per cent).

August capacity utilisation

(78.5 per cent), July business

inventories (flat); Canada, July

manufacturing unfilled orders

(down 0.5 per cent), Japan, July machinery orders, July

Wednesday: UK, August

presented to parliament

Output

1.0

0.6 ----

-0.2 -

-0.4

SPECULATION about the outcome of the French referendum on the Maastricht treat; to be held on Sunday, will dominate the week. Mid-month UK economic statistics are expected to show that the economy staggered through the summer, with virtually no signs of growth.

A flicker of activity in manufacturing output in the first 0.2 ---half encouraged some economists to suggest it had "bottomed-out" in the first half of the year. However, the latest forecasts suggest economists believe the growth may not be sustainable

Other economic events this week follow. The figures in economists'forecasts from MMS International. Today: France, consumer

prices index (up 0.2 per cent on month, up 2.9 per cent on year); Norway, trade excluding ships (DKr3.5bn surplus); Japan, August wholesale prices index (up 0.1 per cent).
Tomorrow: US, August CPI

(up 0.2 per cent), ex food and energy (up 0.2 per cent), August retail sales (flat). ex autos (up 0.2 per cent). August real earnings, second quarter current account, auto sales September 1-10; UK, August producer prices index, input down 0.3 per cent on month, down 0.5 per cent on year), output (up 0.1 per cent on month, up 3.3 per cent on year), excluding food, drink and tobacco

industrial production. Thursday: UK, July industrial production (up 0.2 per cent), July manufacturing out-

put (flat on month, down 15 per cent on year). August unemployment (up 25,000), July average earnings (up 6 per cent), July unit wage costs (up 2.7 per cent, latest three months on year); US, July merchandise trade balance (\$7bn deficit), exports (\$37.8bn), imports (\$44.7bn), initial claims for week ended September 5 (412,000), money supply data for week ended September 7; Canada, July merchandise exports (up 0.5 per cent) imports (down 2.5 per cent), July merchandise trade surplus (**C\$5**00m).

Friday: UK, Confederation of British Industry industrial trends survey. August Mo. (down 0.1 per cent on month up 2.4 per cent on year), August M4 (up 0.5 per cent on month, up 5.9 per cent on year), August M4 lending (£2.9bn), second quarter balance of payments (£2.6bn deficit): Canada, August CPI (up 0.2 per cent on month).

Saturday: US, G7 finance ministers meet in Washington. Sunday: France, referendent on the Maastricht treaty; US, IMF Policy Making Interim Committee meets.

During the week: Germany, August WPI (down 0.5 per cent), PPI (down 0.1 per cent on month, up 1.0 per cent on year); Japan, August money supply (flat), second quarter GNP (up 0.5 per cent).

Emma Tucker

RESULTS DUE

Kingfisher, the retailing group, is likely to add its voice to tidings of depressed consumer spending when it releases its interim results on Tuesday.

The B&Q chain has faced pressure from a price war in the DIY trade, but Woolworths, Comet and Superdrug should have benefited from productivity gains.

Kingfisher has a knack of exceeding expectations and may report pre-tax profits above the £61m consensus forecast and last year's £62.5m.

Dalgety today reports profits for the year to end June. Forecasts centre on £115m pre-tax. up from £110.9m, with petfoods and snacks leading the way. Tougher trading conditions in milling, baking, food ingredients and animal foods are expected though. Inchcape, the international

motor distribution, services and marketing group, is today expected to announce interim pre-tax profits of about £110m, compared with £91m. The figures are helped by the inclusion for the first time of Tozer Kemsley & Millbourn, the motor company acquired with the help of a £376m rights issue

last December. Tomorrow sees interim results from MB-Caradon, the building products and cheque printing group which has a quarter share in CarnaudMetalbox. Pre-tax profits are expected to have risen from \$47.2m to £60m, helped by the use of the rights issue money

raised last year and substantial cost-cutting measures.

Arjo Wiggins Appleton, the Franco-British paper group, also reports on Tuesday. Estimates for interim pre-tax profits range from £92m to £100m, compared with £135.5m. Analysts will ask about the extent to which AWA, a pulp buyer, has suffered from rising pulp

First-half results from Guinness on Thursday are expected to reflect economic weakness in its international markets. Analysts have trimmed fore casts of pre-tax profits to between £360m and £365m, an increase of 4 per cent on the 1991 interims. Full-year profits are still expected to top £1bn

CONFERENCES & EXHIBITIONS

SEPTEMBER 29

OUTSOURCING LT. AND

FACILITIES MANAGEMENT If your organisation is considering nutsourcing its I.T. facilities, this conference will save you both time and money: hear clients and suppliers discuss the pros and cons of all aspects of FM contracts. Contact: Juliet Coe, IBC Technical Services Ltd Tel: 071 637 4383 LONDON

SEPTEMBER 15-16

SEEBOARD Technology Fair A two day exhibition and business forum at the Brighton Centre aimed at highlighting the expertise of small and medium sized companies and promoting technology transfer in its broadest sense

hy extending existing links between manufacturing companies, consultants and 0273 607896 BRIGHTON

SEPTEMBER 18-20

W.D. Gann Workshop/Seminar Hy Les Clemens. An exciting three day opportunity of instruction by one of the most successful Game traders in America. This course is

0728-73413 or Fax: 0728-73656 for LONDON

SEPTEMBER 20-22 Zero - 3.5 tonne Refrigerated

The Exhibition for companies affected by the latest UK and EC Food Hygiese Transport Regulations. Wembley Exhibition Centre. Contact: Lorraine Rugers, FMJ International Publications Lai. Tel: (0737) 768611 Fax: 0737 761685.

LONDON

SEPTEMBER 23 **Business Process Re-**Engineering (BPR)

CBI/Develia & Partners conference. chaited by BRian Redhead, which examines the latest development in this new, emerging field through practical descriptions he organizations who have undertaken BPR reviews Contact: Karen Trevitt, CB1 Conferences 071 379 7400 LONDON

SEPTEMBER 23-24 Introduction to Bonds, Bond

Futures & Bond Options Yield Curvey, Bond Futures, Day 2. Terminology. Option Pricing. t TD. Speculation, Hedging & Arbitrage. Venue. Combridge Science Park. Cambridge, £345 (1 day only), £595 (both days) Contact: Gillian Beckett, Brady Financial Seminars, Tel: 0223 423250. CAMBRIDGE

SEPTEMBER 24 Equalising Pension Ages: The 65 Option

er: Chris Trinder, specialist adviser to the Social Security Advisory Committee on Equalising Pension Ages and Research Director of CIPFA's Public Finance Foundation. Chairman: Geoffrey Hulmo, CB, Former Deputy Sceretary, Department of Health. Enquiries to Gail Main on - Tel: 071 895 8823 Ext 255 Fax: 071 895 8825

LONDON

OCTOBER 1-2

The United States of Europe Reality or Myth? Speakers include for Albert Strob Director DG XIII-C Commission of the

bealthcare and industrial/innovative companies. Organisers - the Licensing Executives Society. une: Tower Thistic Hotel, London Conference and membership end

Course OCTOBER 5

The City Crude Oil and Oil Product Trading Conference Cityforum Ltd in association with the International Petroleum Exchange of London. Sponsored by And Consulting, Clifford Chance, IBI c. IBM UK Ltd., The Wall Street Journal Europe and Telerate, Enquiries to: Lindsey Nesl, Tel: U225-466744 Fax: 0225-442903

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OCT 5 - NOV 23 FT-City Course The course is designed to provide a broader understanding of all aspects of the City of London and the factors that make it a pre-eminent financial and trading centre.

Engeliers: Financial Times Tel: 071-251 9321 Fax: 071-251 4686

OCTOBER 6 **VAT AND STATISTICS**

CBI conference outlining the scope of the new regime, the impact of the regulations

new systems and the implications of the 'cleansing' Directive. Advice and guidance provided by speakers from Customs & Excise, British Steel, Burton Group etc.Contact: Karen Trevett, CBI Conferences, 071 379 7400 LONDÓN

OCTOBER 6-7

INPOWER 92

The Independent Power Generation Exhibition and "Generating Independence" Conference, KEMPTON PARK EXHIBITION CENTRE . Sunbury-on-Thames, Surrey. Contact: Lorraine Rogers, FMJ International Publications Ltd Tel: (0737) 768611 Fax;

SUNBURY-ON-THAMES

OCTOBER 6-8

Public Works and Europe Top speakers at the British Public Works Association Conference will address the impact of a unified Europe at the National Agricultural Centre, Stoneleigh Park. Running in parallel is the BPWA on, a shop window for the public works industry's decision makers Telephone: Jocelyn Marsh 0784 452748

WARWICKSHIRE

LONDON

OCTOBER 7

Bridging Business & Technology

This IOD co the CSA, will give buyers an insight into the changing face of techno business re-engineering. Vital for buyers mean Communities, and from major & suppliers of IT services; audience icipation is encourage. pairies:- Directors Conference 071 730 0022

Fax: 071-A29 9705

OCTOBER 8 Foreign Exchange Options LONDON

aspects of the FX Option Markets: Trading Strategies, Forward Arbitrage Calculations, Pricing Model, Hedging, Volatility Exposure & Time Decay. Cambridge Science Park, CAMBRIDGE, £345. Seminars, Tel: 0223 423250 CAMBRIDGE

OCTOBER 8-9 Know Your Competitors

Competitor Intelligence & Analysis. A practical two day seminar/workshop from the UK's No 1 specialists. Practical case exercises, successful case studies. Guest speaker who is head of a major company's intelligeace unit. Contact Patricia Donmard, EMP Intelligence Service, Tel: 071-487-5665 Fax: 071-935-1640 LONDON

LONDON OCTOBER 12 MARKETING - MORE IMPORTANT THAN EVER?!

The Chief Executives/Manager Directors of the Great Names of Marketing: Pepai Cola Europe, Thomas Cook, Burger King, BAA, Sears, KP Foods, the Financial Times Group. Mercury Communications, Abbott Mead Vickers and Baroness Deuton of the DTL Call Chris Kohut, Century Communications 071 244 8884

OCTOBER 12

Captive insurance in Jersey Recent developments make Jersey a very ive location for establishing captive and other insurance companies. An important one day conference with speakers from Switzerland, England and fersey covering regulatory, legal, tax issues and rep Footinies: Impact Tesinis JERSEY

OCTOBER 12-13

Managing Financial Risks The Workshop is an intensive, practical course simed at those who wish to understand the principles and plactices of Enquiries: Financial Times

Tel: 071-251 9321 Fax: 071-251 4686 **OCTOBER 12-15**

VILLALIO JATOT MANAGEMENT The Right Way to Manage

William E Corrway
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Wost, will present his Pight Way To
Manage Seminar. People of all levels can
learn from his knowledge and tura
philosophy ious practice. Mike Gallimore
& Associates Lad Tek (0621) 858058 Fax: (0621) 850972

BIRMINGHAM

OCTOBER 15 PACKAGING & THE SINGLE

MARKET CBI/Packaging Week conference assessing the affect of Germany Packaging Ordinance and proposed EC Directive on Packaging & Packaging Waste for end-users and manufacturers of packaging. Speakers include Klaus Topfer and Euschio Murillo. Contact: Sandra Aldred.

CBI Conferences 071 379 7400 LONDON OCTOBER 15

Oli & Gas Russia PSR Conference discussing impact of new Russian Petroleum Law on foreign companies; present & fature exploration programmes; co-operation between foreign companies and enterprises in the post-soviet republics. Contact: The Conference Secretary, sel: (081) 547 2411 fax: 081-547 2157

OCTOBER 16 Public and Private Sector Pay

LONDON

LONDON

Public Finance Foundation conference in British Industry. Speakers: Robbie Gilbert, Director of Employment Affairs, CBI and Chris Trinder, Research Director, Public Finance Foundation, the research arm of Cipfa. Enquiries to Gail Main on - Tel: 071 895 8823 Ext 255 / Fax: 071 895 8825

OCTOBER 19 **OUTSOURCING LT. A** CRITICAL GUIDE

Explores the key issues associated with arcing, Leading organisations show bow they have used outsourcing to increase the effectiveness of their LT. operations, and major suppliers answer questions about how to avoid some of the most common problems. Contact: sess Intelligence Tel: 081-544 1830 Fax: 081-544 9020 LONDON

OCTOBER 19-23 African Buşineas Show '92

A five day Conference and Exhibition sing on starting or developing a better ness link in, with and from Africa. Conference Speakers, Exhibitors and Delegates will be from governments nal organisations, con industry, Enquiries: - Imagemakers International Quaquaversal plc Tel:- 071-739-8410 Fax:-071-739-8683

LONDON

OCTOBER 20

Business information in the Oil Industry - Working for Success This conference is simed at those providing business information to mpanies within the Oil Industry. Contact: Caroline Little, Institute of Petroleum. Tel: 071 636 1004. Fax: 071 255 1472

LONDON

OCTOBER 20-22 PROCESSING AND PACKAGING MACHINERY

ASSOCIATION: PPMA Show, an Exhibition dedicated entirely to machinery for those who process and package food, harmaceuticals, cosmetics, chemicals beverages, DIY goods etc. Over 400 major machinery manufacturers exhibiting. Tickets from Bill Lake Tel: 081-681 8226 Fax: 081-681 1641

OCTOBER 21-22 Marketization of the CIS

The Banking and Finance Sector Top Ministers and Bankers from East and West discuss the development of new financial and banking structures in the five key republics of the former Soviet Union. Contact: The Adam Smith Institute. Amanda Amstrong, Tel: 071 490 3774 or Fax: 071 490 2296

LONDON

Offshore Supply Vessels Regulatory Commercial and Operational Issues. This conference is for vessel owners, operators with marine safety and operations managers from oil company charterers, and other interested part facing problems in this area. Contact: ine Little, Institute of Petroleum. Tel; 071 636 1004. Fax: 071 255 1472. LONDON

OCTOBER 22

OCTOBER 27-28 Arab-European Seminar On The Food industries

Arab delegates will be at this seminar to seek deals with European enterprises to implement very substantial development programmes, Visits to UK firms/ olishments on 29-30 Octo £220+ VAT. Contact: Mr S K Khansa, Arab-British Chamber of Commerce Tel: 071-235 4363 Pax: 071-245 1748

LONDON

OCTOBER 28-30 IPM National Conference

Harrogate
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THE INSTITUTE OF CAREER GUIDANCE

National Record of

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An Investment for the Fature. Opening address Patrick McLoughlin Parliams Under Secretary of State, Employme Department, Further information contri tute of Careers Guidance.

Tel: 0384 442627 or 376464 LONDON **NOVEMBER 2**

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LONDON NOVEMBER 3-4

1990s. Enquiries: Piguncial Times Tel: 071-251 9321 Fax: 071-251 4686

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ce measurement frameworks based on a broader set of 'unstre management indicators, such as quality, marketplace performance and customer

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FORUM

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Responsibility A seminar looking at the role and responsibility of directors as individuals and as a Board, legal framework, remaneration, insolvency and corporate governance. Presented by Price Waterhouse and Rawlinson & Butler at the Copthorne Effingham Park Hotel, West Sussex. Optional half-hour Contact: Andrea Bath, Price Waterho

INTERNATIONAL

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OCTOBER 8-9

Competitive intelligence Strategies Objectives. Organisation. Techniques. Tools. Analysis. Seminar presented by Kirk Tyson, author of Competitor Intelligence Manual & Guide. For managers and malysts with, business development, planning, and research responsibilities. Also in Berlin 5-6 October, and in Bratislava 8-9 December. Contact IIB SA. Geneva. Tel-(41) 22 788 2751. Pax: (41) 22 788 2726

BRUSSELS OCTOBER 13-14 Trade & Investment in the Black Sea States, Turkey & Central Asia Central Asia
Two day conference & Business Forum exploring Russo/Central Asian business opportunities. Forum meetings with high level delegations. Details: Interforum Services. Tel: 071 386 9322 Fax: 071 381 8914

ISTANBUL. OCTOBER 26-28 TRADE FINANCE IN CENTRAL

This practical workshop is deal for the CENTRAL EUROPEAN FINANCIAL: EXECUTIVES . BANKERS dealing with trade lineace and related transactions * LAWYERS in banks, corporations and private practices * EXECUTIVES in export/import countries requiring a eper knowledge of trade finance Contact: Ian Anderson, Euromoney Training Tel (44-71) 7798784 Fax (44-71) 779 8799

BUDAPEST

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lesigned for German corporate and financial institutions and anyons interested in developing asset-backet SHOULD ATTEND: Company Figure Directors, Corporate Treasurers. Company Auditors, Inves HORE STREETING Finance Managers, Contact: Kathy Reed, Suromoney Train

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ect: Tracey Dorrell, London nacece & Industry.

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together the representatives of the Turkish and International Shipping Community. Please contact Ms Serra Taisah for further information: Tel: (901) 274-23-25 S6/87 Fax: (901) 273-27-24 - ISTANBUL NOVEMBER 16-18 **INVESTMENT FUNDS**

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prospects, the implications of Manstricht and economic convergence plans. Enouicies: Fluencial Times Tol: 071-251 9321 Faz: 071-251 46% MADRID

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TANZANIA & ZAMBIA

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From October, the Financial Times, in partnership with Izvestia, Russia's leading quality daily, will produce 'Financial Izvestia'. A weekly 8-page newspaper, it will accompany Izvestia and be printed on the FT's distinctive pink paper.

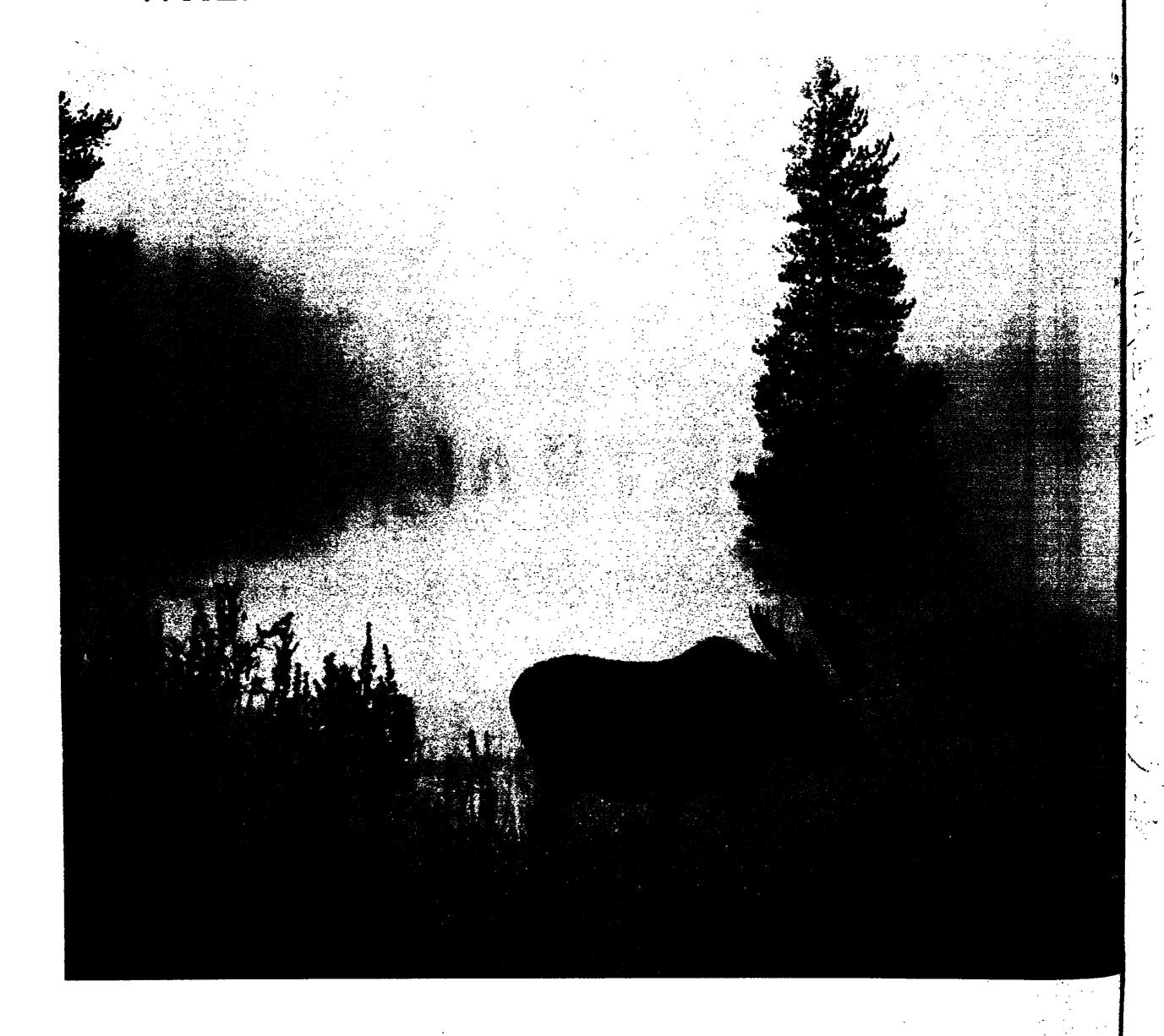
Financial Izvestia will feature the week's key Russian and international business and economic news. It will be essential reading for the 300,000 Izvestia subscribers and readers in and around Russia's commercial centre, Moscow.

To find out more about advertising to these influential people, please contact Ben Hughes at the Financial Times on +44 71 873 4263 or fax +44 71 873 3428.

No Financial Izvestia.....no comment.

FINANCIAL TIMES

WHEN WAS THE LAST TIME YOU HIT AN ELK?



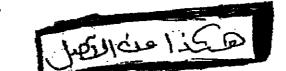
Sweden is a land populated by many elks that sometimes leave their forests and stray onto unprotected roads.

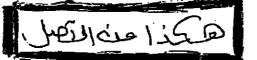
The adult elk is large, heavy and mostly dark. In winter, the Swedish countryside is mostly dark as well. Which explains why surprised Swedish



drivers and elks often collide. Apart from elks, Sweden offers other unexpected road hazards like ice, snow and mud.

Fortunately, Swedish roads are populated with many Saab 9000s. (In four separate international car safety studies, Saab headed the lists.) Saabs







have crumple zones at both ends to absorb the energy of a collision should you make unexpectedly make contact with a large, dark animal.

And airbags* and seat-belt tensioners should you be thrown forward.

But if you take prompt avoiding action, the Saab 9000 has ABS** fitted as

"Saab 9000 Model Year '93. Standard in certain countries. Available as extra everywhere.

**Non standard on all Saab 900 models in DK, IS, SF, N.

standard to prevent your wheels from locking when you swerve while braking heavily.

The elk might be left undamaged but bemused. And wondering why every intelligent human doesn't drive a Saab 9000.

SAAB. TRULY SWEDISH.



SAAB

LATIN AMERICAN CAPITAL MARKETS London, 5 & 6 October

Growth prospects for Latin American economies and the opportunities and risks of investment will be reviewed by an eminent panel of speakers including Mr Francisco Gros of Banco Central do Brasil; Dr Roque B Fernandez of Banco Central de la República Argentina; Mr José Angel Gurría Treviño of the Mexican Ministry of Finance & Public Credit; Mr William Rhodes of Citibank and Mr S Shahid Husain of The World Bank.

LATIN AMERICAN PRIVATISATION PROGRAMMES London, 7 October

An assessment of the opportunities and risks in Latin American Privatisation programmes will be given by Mr Eduardo Marco Modiano of the National Development Bank of Brazil; Mr Juan Carlos Sanchez Amau from the Ministry of the Economy, Argentina; Dr Carlos Hernandez Delfino from the Venezuala Investment Fund; Mr Ricardo Guajardo Touche of Bancomer SA and Mr Thomas Keesce of First Boston Corporation.

WORLD MOBILE COMMUNICATIONS London, 12 & 13 October

communications will look at growth prospects in world markets and the development of new services. The outlook for PCNs, pan-European mobile networks, paging systems and satellite communications will be reviewed as well as numbering from a mobile perspective. Speakers include: Mr Terry Parker of GTE Telecommunications Products and Services; Mr J Shelby Bryan of Millicom Incorporated; Mr Bernard Ghillebaert of France Telécom; Mr Robert Kinzie of Iridium, Inc; Mr Peter Leipold of Deutsche Bundespost Telekom and Mr Rolf Eriksson of Ericsson Business Communications AB.

THE EIGHTH EUROPEAN PETROLEUM AND GAS

Amsterdam, 3 & 4 November

This year's meeting, timed to coincide with the PetroTech 92 Exhibition, will focus on Europe's oil refining and process industries, examine the challenges and costs of meeting increasing environmental legislation and review the implications for refiners of the opening up of eastern Europe. The conference features presentations by senior figures from Shell, BP, Texaco, Total, curopia, the EEC, ABN AMRO Bank, the International Finance Corporation, Mineralölwirtschaftsverband and Bechtel.

WORLD ELECTRICITY London, 9 & 10 November

The annual Financial Times/Power in Europe world electricity conference - the sixth in a well received series - will review issue current concern to the world's power industry. Expert speakers from Europe, the USA, Latin America and the Far East will review developments in key markets and examine the joint challenges of providing a public service and meeting commercial considerations as many governments transfer state willities from the public to the

All enquiries should be addressed to: Financial Times Conferen Organisation, 102-108 Clerkenwell Road, London EC1M 5SA. Tel: 071-251 9321 (24-hr answering machine) Telex: 27347 FTCONF G. Fax: 071-251 4686

CONSTRUCTION CONTRACTS

Willmott Canal crossing project

Dixon busy

WILLMOTT DIXON companies have begun work during the summer on new building contracts totalling more than £50m for both private and public sector clients.

Willmott Dixon Symes, London, has started work on three contracts - a £1.2m refurbishment of two adjoining listed buildings for the National Provident Institution in Maiden Lane, WC2; a part build project for Bredero Cen-tre West in Hammersmith valued at around £900,000; and a iob centre in Wembley. Willmott Dixon Southern,

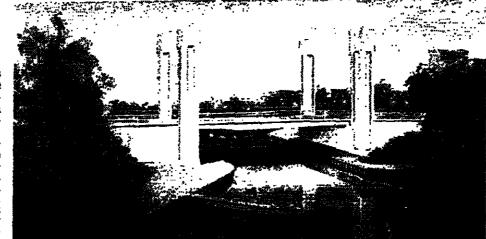
Basingstoke, has been awarded a £4m contract to build the clubhouse at the East Sussex National Golf Club for Thornbrook Properties, and a £850,000 contract for a major extension to the Doual Abbey Church at Upper Woolhampton in Berkshire.

An £8m design and build contract for an extension to New Harlington School in Hayes, for the London Borough of Hillingdon, is being carried out by Willmott Dixon Eastern.

The same company has also won a £3.6m design and build contract for the construction of a radiodiagnostic, orthopaedic and rehabilitation block at Mount Vernon Hospital in Northwood for Hillingdon Health Authority.

Another design and build contract, valued at £1.3m, is being carried out on the first phase of a new retail park in Huntingdon for Churchmanor Estates of Ipswich, and Willmott Dixon Eastern is also BALFOUR BEATTY CIVIL the main ticket hall of Bank refurbishing a shopping centre ENGINEERING has been at Grays in Essex in a £2.3m awarded the £1m contract to contract for Ravenseft Proper-

awarded a £4.6m contract for building its new corporate four Beatty has been commisheadquarters at Branston, Bur-sioned to work on this site. At ton on Trent, to Willmott the height of the Blitz during Dixon Midlands, Birmingham. World War II, a bomb fell on



An artist's impression of the vertical lift bridge planned for the Manchester Ship Canal

AMEC CIVIL ENGINEERING. a member of the AMEC Group, has been awarded a £6m contract by Trafford Park Development Corporation to design and construct a vertical lift bridge over the Manchester Ship Canal.

The bridge, which is believed to be only the third of its kind to be built in the UK, will be the first low level crossing of the Manchester Ship Canal to

was opened over 100 years ago. It will form a new entrance into Trafford Park, Manchester and will provide a new road crossing at a point approximately mid-way between the swing bridges at Barton and Trafford Road.

Forming the first stage of the link between the Parkway Roundabout in Trafford Park and the M602 motorway, the single span vertical lift bridge will consist of reinforced concrete abutments, cellular towers and an all steel deck spanning 41 metres across the

The lift bridge will facilitate the passage of tall ships along the canal by the raising of the bridge deck to a height of 23 metres above water level

Design work has already commenced with construction due to begin in November and

Expansion at Clatterbridge Hospital

COSTAIN BUILDING CIVIL three buildings: a rehabilita-ENGINEERING has been awarded a contract worth £4.2m to extend Clatterbridge Hospital by the Wirral Hospital NHS Trust.

the design and construction of

tion centre, a surgical and day case unit and a dermatology unit. A link will be provided to the hospital buildings, and all services and external works The construction comprises are included in the contract.

tional construction on piled foundations with a concrete tile pitched roof.

The project manager is the project design division of the Wirral Hospital Trust. The contract is due for completion in

City of London Underground plan

replace the pedestrian subway roof at Bank Station by Lon-Bass Developments has don Underground.

This is not the first time Bal-

Station, demolishing the roofing and, by the use of steel troughing infilled with concrete, the station was quickly renaired and made operational

Now some 50 years on, above the roof lies one of the busiest road junctions in the City of London and because of the increased traffic, it has become

necessary to bring it up to current loading standards. To facilitate this, the roof needs to be demolished and replaced.

Also included in the works are repairs to the existing; brickwork and waterproofing. To ensure the station is operational at all times, the yearlong programme involves careful phasing of the works.

London railway scheme

awarded a civil engineering design contract by CrossRail for the covered way and ramp at the Allen Garden section of this project. The value of the construction work is estimated at £7.5m.

Commencing at the eastern portals of the bored tunnel drive 15 metres below Shoreditch, the work comprises a 250 metre section of cut and cover, which may be carried out using continuous bored pile walls and "top down"methods of construction. This is followed by a 300 metre long ramp and viaduct which, initially, is in open cut before climbing to link with the exist-

ing viaduct at Vallance Road. The CrossRail scheme, a joint development between London Underground and British Rail Network SouthEast, involves building a twin-bore tunnel, 9.6kms long, across central London between Paddington and Bethnal Green. This will link rail lines to Reading and Aylesbury in the west to those serving Shenfield in the east.

The £1.7bn scheme will. reduce journey times across the region and relieve congestion on the London Under-

Law courts

SIR FREDERICK SNOW (INTERNATIONAL) has commenced work on a law courts complex costing £4m in Victoria, on the island of Mahe in the Seychelles.

The contract comprises the provision of professional services in project management, planning, structural and services engineering and quantity surveying. The two-year project includes the refurbishment of a court building of 10,000 sq ft and construction of buildings totalling 45,000 sq ft.



New civic theatre in Yorkshire

awarded the contract for the £5.2m conversion of a 173-yearold listed Georgian building in Huddersfield into a theatre. Kirklees Theatre Trust selected the company to carry out the refurbishment of the former Queens Square Chapel

tre with small cellar theatre. foyer and bars. Designed by Kirklees Metropolitan Council design practice, the main auditorium will have a flexible layout enabling it to be set as a conventional theetre with a stage at one end and an orchestra pit or with a

to create a 465-seat civic thea-

thrust stage. The cellar theatre will seat around 150 and will be used for alternative cabaret, fringe shows and small scale drama. The refurbishment and conversion work is due for completion in spring 1994.

British embassy

YEOMANS & PARTNERS, a P&O company, has been refurbish the British Embass in Jakarta, Indonesia, for the Foreign & Commonwealth

Office. Work has already started to replace electrical installations suspended ceilings and partitions within the embassy which will remain occupied and fully operational through out the duration of the project. Yeomans' success in Jakarta follows a series of shopfitting contracts in Czechoslovakia where it has fitted out two car-

net and soft furnishing stores.

CONTRACTS & TENDERS

DEPARTMENT OF PLANNING ABU DHABI EMIRATE U.A.E. PREQUALIFICATION OF CONSULTING FIRMS FOR NATURAL **GAS DISTRIBUTION PROJECT**

Department of Planning, Abu Dhabi, is interested to carry out a comprehensive study to determine the feasibility and economic viability of setting up a network for distribution of Natural Gas for domestic, commercial and industrial uses and buildings airconditioning in the city of Abu Dhabi and its suburbs.

The study would include:

Market survey of Natural Gas users, engineering study for laying of Gas pipe-lines and housing connections, equipment and safety measures repair and maintenance system, technical and management man power requirement, capital investments, operating costs estimates, feasibility of the project etc.

The consulting firm should be fully conversant with the relevant Gas distribution and safety technology and requirements of operations. Consulting firms having experience of carrying out feasibility studies in association with Gas distribution companies are also welcome for prequalification.

Consulting firms / Gas distribution companies interested in the above work are requested to send application for prequalification document (Closing date 31st October 92) to:

> THE CHAIRMAN DEPARTMENT OF PLANNING P.O. BOX 12 ABU DHABI (U.A.E.) TEL: 727200 FAX: 727749

LEGAL NOTICES

HVS ELECTRICAL DISTRIBUTORS LIMITED (IN RECEIVERSHIP) NOTICE IS HEREBY GIVEN, PLANNING to NOTICE IS STEREBY GIVEN, pursuant to section 48(2) of the insolvency Act 1956, that a meeting of the creditors of the shows beened company will be held of Hantson Hoese, I Goorge Steed, Urbridge, on 29 September 1992 at 16336 on for the purpose of receiving a separat prepared by the Joint Astantastative Receivers and if thought if to containing a separate from the company of the very section committee? In content to the translation considered on it by or under the functions considered on it by or under the functions considered on it by or under the functions? Act 1996, Premies to be used at the meeting ment be lodged, logisher with any claim to be made by the creditors at the offices of the Joint Administrative Receivesty, Harman House, I George Street, Unbridge, no large than 12-50 from on 28 September 1992.

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS GROSSON ANNO. D.A.W. BETT'S LIMITED Date of apparement, 8th Septi By whom apparation Nasconal

ART GALLERIES

Date of Charge: 2nd June 1989



TENDER OFFER

FOR THE 95.272% EQUITY STAKE OWNED

BY "PORTUCEL" IN "PRADO"

"PORTUCEL - Empresa de Celulose e Papel de Portugal SA", the largest Portuguese pulp producer, has been inviting interested parties to tender for its 95.272% equity stake in "COMPANHIA DO PAPEL DO PRADO".

PRADO is the largest Portuguese carton board producer, with two plants, PRADO and LOUSA, with 28,000 and 15,000 tons capacity, respectively, Financial condition is good and the Company has been consistently recording a significant level of profitability. PRADO is the market leader in the Portuguese carton board.

Interested parties will be required to submit binding offers not later than the 15th October, 15.00 hours, in sealed envelopes, delivered at PORTUCEL offices, on the following address, where an " Offering Memorandum", the list of procedures, and other terms and conditions of the sale are available:

> PORTUCEL - Direcção de Planeamento e Controle de Gestão Rua Joaquim António de Aguiar 3, 8° 1000 Lisbon

Portugal Tel: 351 1 3860857 Fax: 351 1 3860016

ALUMINIUM

The FT proposes to publish this survey on October 28 1992. from its printing centres in Tokyo, New York, Frankfurt, Roubaix and London. It will be read by senior businessmen and government officials in 160 countries worldwide. If you want to reach this important audience, please call Anthony G. Hayes Tel: 021-454 0922 Fax: 021-455 0869 George House,

Edgbaston, Birmingham B15 IPG

INVITATION FOR OFFERS TO PURCHASE ASSETS AND BUSINESS OPERATIONS OF WESTAR MINING LTD.

Arthur Andersen Inc., in its capacity as Trustee of the Estate of Westar Mining Ltd. (Westar), will consider written offers to purchase its right, title and interest in the assets and business operations of Westar on an en bloc basis.

The principal assets of the business include:

☐ An 80% joint venture interest in an open-pit coal mine operation, preparation plant and all related equipment required to operate the mine, located near Elkford, British Columbia (Greenhills operation);

An open-pit coal mine operation, preparation plant and all related equipment required to operate the mine, located near Sparwood, British Columbia (Balmer operation).

In the past three years, the Greenhills and Balmer operations have annually produced approximately 3.2 million and 6.0 million tonnes of clean metallurgical coal, respectively, and both have annually produced several hundred thousands tonnes of thermal coal.

An information memorandum has been prepared for the benefit of prospective purchasers. Viewing of Westar assets and access to financial and other relevant information will be made available to prospective purchasers upon receipt of a refundable, non-interest bearing deposit of \$50,000 Canadian, with respect to the Greenhills operation, and \$50,000 Canadian, with respect to the Balmer operation. The deposit(s) must be a certified cheque made payable to Arthur Andersen Inc., Trustee of the Estate of Westar Mining Ltd.

All parties interested in obtaining access to financial and other relevant information relating to Westar, as well as arranging to view the Westar assets, must make their intentions known, in writing, accompanied by the deposit(s) referred to above, no later than 5:00 p.m. Pacific Standard Time on Tuesday, September 22, 1992, to Arthur Andersen Inc., 2300-1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2J2, Attention: James G. Stuart.

Formal offers to purchase must be received no later than 5:00 p.m. Pacific Standard Time on Friday, October 30, 1992, to Arthur Andersen Inc., 2300-1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2J2, Attention: James G. Stuart.

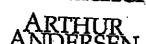
Formal offers to purchase must be in the form prepared by the Trustee, and must be accompanied by a bank draft or certified cheque for 5% of the amount offered. The highest, or any offer, shall not necessarily be accepted. Any offer accepted will be subject to the completion of an Agreement to Purchase and Sale in a form and substance prepared by the Trustee, the approval of the Inspectors of the Estate of Westar, the consent of those creditors holding a security interest in the assets, and, with respect to the Greenhills operation, the joint venturer holding the 20% interest.

To obtain an information memorandum or to arrange for a viewing of the Westar assets and access to financial and other relevant information, please contact:

James G. Stuart, CA Jerry P. Zuk, CA

Arthur Andersen Inc. 2300-1055 West Hastings Street Vancouver, British Columbia, Canada, V6E 2J2 Telephone: (604) 688-8111 Facsimile: (604) 688-5205

Arthur Andersen Inc.



Arthur Andersen & Co, SC

PEOPLE

Runners in the Black Horse's final furlong

The race to find a successor to Lloyds Bank chief executive Brian Pitman is moving into its final furlong. The two front contenders - David Pirrie (right) and Paul Brown - are to swap jobs in a move which will be seen by many as a final testing ground for Lloyds' next chief exec-

The top management team of Lloyds Bank, the most successful of Britain's clearing banks, has been more stable than those of its rivals. However, chairman Sir Jeremy Morse, who has headed the group since 1977, retires next year and Brian Pitman, who has been chief executive since 1983, is already past the bank's normal retirement age. It is expected that he will step down in 1995.

Sir Robin Ibbs has already been tapped as Sir Jeremy's successor as chairman, but there has been more uncertainty about Pitman's replacement. Michael Hepher,



the chairman of Lloyds Abbey Life, was an obvious candidate but he was headhunted at the end of last year to be group managing director of British Telecom. Since John Davies, the deputy chief

executive, and Alan Moore, director of corporate banking, are both in their late 50s, analysts believe that either Paul Brown, 50, or David Pirrie, 53, are front-runners to take over from Pitman.

Lloyds is using the opportunity of Frank Jones' retirement as director of international banking on November 16 to reshuffle their portfolios. David Pirrie, who joined the Bank of London and South America as a trainee in 1959, will become director of both international banking and private banking and financial services. Paul Brown, who is currently director of private banking and financial services. will take over Pirrie's old job as director of

UK retail banking. Pirrie, who joined the board in 1989, is the more senior. But some analysts believe that Brown, who joined Lloyds Bank Europe in 1960, has the edge since he is three years younger and is being put in charge of one of the weak spots of the group. If he can turn round the group's retail banking business, which employs two thirds of the staff, then he might well assure himself of promotion to the top job.

Philip Chappell decides to retire from AITC

Philip Chappell, a well known merchant banker who has tried his hand at several different lobs, is to retire as director of the Association of Investment Trust Companies in November, after several months of serious

A Company of the Comp

NEOR

: 12

Chappell, 63, joined Morgan Grenfell in 1954 and spent over 20 years as a director. He was chairman of the National Ports Council between 1971 and 1977 and in 1980 spent a brief spell as chairman of computer mak-

However, over the past few years he has switched from being a merchant banker to being a tireless campaigner for popular capitalism.

His main interests have been wider share ownership, personal pensions and of course investment trusts, having joined the AITC in 1988.

Chappell says he has been gradually recovering over the past few months and is still bubbling with ideas for the savings market. The chances are that he will continue as a regular correspondent on the

FT's letters page.
Although Chappell only worked at the AITC around two days a week, the association is set to advertise for a full-time director general to replace him.

Finance moves



■ Derek Allan (above), formerly assistant general manager UK Banking -England, has been appointed chief manager of the BANK OF SCOTLAND's London chief office. He is replaced by John

Michie. ■ Chris Wheeler has been appointed executive director and deputy head of research at LEHMAN BROTHERS INTERNATIONAL. Timothy Dawson, formerly with Merrill Lynch, and Carla Bakker, formerly with Morgan Stanley, have joined as directors. Jonathan Hakim has been appointed executive director and head of European financing coverage; he moves from UBS Phillips &

■ Yoichiro Suzuki, formerly ceo of Bank of Tokyo Asset appointed md of MERIDIAN GLOBAL FUNDS MANAGEMENT'S Japanese

■ Kiyohiko Ito has been appointed md of KONICA BUSINESS MACHINES (UK). ■ Andrew Tansley has been appointed a director of the TUSSAUDS GROUP. He had been general manager of Madame Tussaud Scenerama

Woolf to be a

appointed a Law Lord in

is retiring at the end of

certain after Sir Thomas

Bingham was appointed the

law lord

■ Maurice Wood moves from

■ John Taylor has been Hillsdown's Maple Leaf Foods

Sir Harry Woolf, the Appeal Court judge who headed an in-depth review of the prison system following the riot at Strangeways in 1990, has been succession to Lord Ackner who

Sir Harry, 59, whose name is linked in legal circles with the development of judicial review, had been widely tipped for promotion either to the House of Lords or as Lord "showpiece" farm in Zambia. Master of the Rolls. His At a time when the east Gerappointment as a Lord of Appeal in Ordinary seemed mans and Romanians no lon-

new Master of the Rolls last month. Their promotions, combined with the retirement of three other Appeal Court judges, have left a number of positions to be filled in the Court of Appeal. Sir David Hirst, Sir Simon Brown, Sir Anthony Evans, Sir Christopher Rose and Sir Leonard Hoffmann have all been promoted to the Appeal Court.

appointed deputy md of YORKSHIRE WATER SERVICES.

to become and of TIBBETT & BRITTEN Group South Africa, formed to acquire South

African Warehousing Services, and Martin Peters is promoted

to become its operations

Hewlett joins Lonrho board

John Hewlett, chief executive of Lonrho's Mozambique agri-cultural, mining, hotel and motor distribution interests, and an associate director of the international trading group since January 1991, has been promoted to the main board.

A graduate of the Royal Agricultural College, Cirences ter, 45-year-old Hewlett joined Lonrho in 1979. He worked as general manager of the Kalangwa Estates which, according to Lonrho, is its

ger regarded Mozambique as a viable business proposition Hewlett, who until then had spent his working life in Zambia, attracted attention by moving there and establishing four estates to grow cotton and food stuffs. Part of the job

entailed recruiting a security force some 1,500 men strong. Hewlett has also presumably had several recent visits from Lonrho chief executive Tiny Rowland, who has played a part in negotiating the peace



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FINANCIAL TIMES

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Application of the state of the



WE SEE THE SUN RISE 70 TIMES A DAY.

Control of the second s

Dawn. The sun rises on the island of Java, shining down on a train travelling the Surabaya-Kertosono line. The track circuits are ours. A few hours later, the same sun rises over our power station at Mers El Hadjadj, Algeria. And, later still, over our geothermal plants in Middletown, California. Hour after hour, the sun rises over our achievements in 70 countries. In 30 of these we have established sales and production organizations. We at Ansaldo are world leaders in electromechanics. We know how to combine advanced design and constructional ability, flexibly. That's how we are able to supply specific solutions for industry, power and transportation. Fields united by a common strategic vision, based on

adranced technology. quality of our human and think: at this

research, and the resources. Stop. now, instant, somewhere in is rising on Ansaldo.

hen British Petroleum. the UK oil group, awarded a contract for four steel oil platform piles in the UK North Sea to a construction yard south of the Azerbaijani capital Baku, it met an unexpected problem. The yard had never before tendered for a contract and had no idea how much it should charge for the work.

"In the end we had to suggest : fair figure to them," a BP official explains delicately.

Not only the managers but welders at the ShelfProyektStroi (SPS) yard were also initially bemused by vestern working methods.

"They joked we were even more bureaucratic than the Soviets," says Peter Wells, Caspian region manager for BP Exploration, "They couldn't understand why every plece of work they did had to be checked and given a certificate."

A team of seven supervisors from BP, John Brown Engineering and RGC Offshore lived in Baku for several months. Workers were given special training and had to pass a proficiency test before they were allowed to participate in the project. Managers, meanwhile, were taught quality control techniques and received individual instruction on what their role should be. The experiment paid off, with the finished piles being passed for use in any international oil project.

"By the end they were asking us when we would be coming back with more work," says Wells.

BP may be back before long. Last week, together with joint venture partner Statoil, the Norwegian state oil company, it signed an agreement with Azerbaijan that could lead to the \$1.5bn (£760m) development of the giant Chirag field in the Cas-

pian Sea. The deal, like Azerbaijan's previous deal with Amoco, and recent agreements by Chevron and British Gas-Agin with Kazakhstan, is significant. It shows that despite the wellpublicised risks and problems, oil companies are mastering the art of doing deals with former Soviet

Moreover, the smaller republics have proved rather more fleet of foot than the lumbering Russian bear when it comes to attracting Big Oil - with important implications for their economic recovery.

BP-Statoil's deal was, none the less, an uphill struggle. The alliance kept at least one person in Baku for most of the last two years, with frequent visits by teams of negotiators who ran up against a variety of problems. Some of those - poor communications and sometimes difficult working conditions - do not unduly trouble managers who have worked in countries such as Colombia. Nigeria and Vietnam.

Others were more peculiar to the

Foreign companies working in the former Soviet republics are taking on bureaucracy, cultural differences and hyper-inflation in their search for quality

Bringing oil to troubled waters

Corporate citizenship seen rising from the ashes

ambrands, the US tampon company, is fanatical about the quality of its product. So when Femtech, its Ukrainian subsidiary, found that a shipment of sub-standard cotton had been used, it decided to burn hundreds of cases of affected products.

Most of the 300-strong, mainly female workforce was appalled at such deliberate waste in a country where tampons are in desperately short supply. But the bonfire greatly impressed the local Minis-try of Health which saw the blaze as final proof that here was a foreign company that was not pre-pared to fob off local consumers with inferior products.

Such recognition of good corporate citizenship is valuable in this newly-independent country of 52m inhabitants. Ukraine has approved liberal foreign investment and privatisation laws but is still mainly run by old-style communist apparatchiks. Their ingrained suspicion of capitalism and desire to protect their own vested interests is reflected in an often obstructive approach to foreign companies which thus far have been slow to invest in the republic.

Femtech, which started life in 1988 as a 49 per cent shareholder in a joint venture with the Soviet Pharmaceutical Ministry was the first foreign company to set up in Kiev, the Ukrainian capital.

Since the original decision to invest up to £10m in the venture, liberalisation of the foreign investment legislation has allowed a progressive rise in Tambrands' stake. Femtech is now a 100 per cent

former Soviet Union. One was the deep lack of understanding of western business among everyone from government officials downwards.

"You often have to sit down with people and spend a lot of time explaining very patiently the most basic concepts, like risk-reward, profit and loss, things that we take

owned Tambrands subsidiary. But much eise has changed in the four years since the company took over a half-finished engineering factory in the middle of a muddy field near Kiev's Borispol airport. Ukraine was then part of the Soviet Union and having an all-union ministry as a joint venture partner meant that marketing was taken care of completely. Fem tech only had to produce for a virtually limitless market. The men from the ministry distributed it among Soviet pharmacies. At that time, the rouble was also still an all-union currency and inflation, though growing, was still barely into double figures.

Tow Femtech operates in tions, pays its workforce in hyper-inflationary condi-Ukrainian "conpons" and has had to set up its own marketing ents in the 15 indepen dent states which have emerged from the old union. Many, like Ukraine and the Baltic states, have either left or are leaving the rouble zone, while the use of dollars and other hard currencies is increasingly widespread. At the same time, unemployment is rising and incomes are widening rapidly.

The bulk of these changes have taken place in the seven months since Tom Collins, a 27-year-old MBA from Boston, arrived as managing director. Another production line has been added to the original two and a fourth is awaiting customs clearance. Once installed, output will rise to around 250m tampons a year, still only around 2

for granted," says Wells. Another problem was suspicion

and resentment in some quarters. Workers at the SPS yard were more open to western ways than their es. Government officials, meanwhile, were more eager to deal with BP than the local producing associations, Azerineft and Kaspmornefte-

per cent of the potential market. Through all the changes, Tam brands has stuck to its original business plan. This was to pay roubles for all local inputs and cover unavoidable hard currency imports by exporting finished product to hard currency markets.

Locally-generated rouble profits were used to finance expansion. The first acquisition was made in January when Tambrands bought a cotton bleachery in St Petersburg with profits generated in Kiev. It is now installing two tampon pro-

duction lines and sending its general manager and other key Russian staff to England for training. Keeping the workforce happy in hyper-inflationary times is also a tricky business. With official statistics in disarray, Collins relies heavily on his chief accountant. Lilia Osipova, who every month Ukraine's best report on inflation

and local wage conditions. She sits at her phone and calls her friends in the local factories for their wage rates. She also calls up the local stores and walks round the local markets, preparing a basket of 100 goods from lightbulbs to men's business suits. Armed with this high-grade intelligence, management adjusts wages to keep abreast of inflation.

Productivity and quality at the Kiev plant are up to similar stan dards as those in Tambrands plants elsewhere. But wage costs are only 2 per cent of total costs in Kiev compared with around 14 per cent at plants in Britain. Now Tambrands is using part of its

gaz, whose top officials - many of them comfortably ensconced in their posts since pre-Perestroika days - reportedly did not take too kindly to western companies invading their patch.

Being forced to deal directly, but solely, with the top level of government can be preferable to getting



East meets west through an American style of advertising

locally-generated funds to build 104 high-quality apartments for its workforce. The land will be leased for 99 years from the local council but the flats will remain Tambrands' property and it will be

the company hopes Ukrainian currency is convertible and profits can be exported in hard currency.

Anthony Robinson

bogged down in the bureaucracy, however. In Russia, for example, oil managers complain of having to negotiate simultaneously with local producing associations, regional governments, and, in the words of one western banker working with the Russian oil industry, "just about every Moscow ministry and

committee that could possibly have any interest". In the smaller republics, oil managers are often able to go straight to the top and, provided they can get a binding deal ratified by parliament, they are happy to do this even in the absence of established legislation on property rights, taxation and royalties.

Both Chevron's and British Gas's negotiations in Kazakhstan were conducted with deputy prime minis-ters and were closely monitored by Kazakh President Nursultan Nazar. bayev, who personally signed Chev-

Similarly, in Azerbaijan, BP-Stat-oil's deal was negotiated directly with the government and signed by Isa Gambarov, chairman of Azerbai jan's parliament and effectively number two to the president. Abulfaz Elchibey, who also took a keen interest. There are obvious risks to this approach: "If the government goes, so could our deal," one BP negotiator admitted privately.

While Elchibey is a democratically-elected and popular president, his position could become insecure, particularly if he fails to stop the lighting in the disputed Armenian enclave of Nagorno-Karabakh. However, the man seen as most likely to replace him, Itibar Mamedov, has a programme of accelerated demoction and economic reform.

"There are risks everywhere, that's part of the oil business," says John Browne, chief executive of RP Exploration. Investment and oil are needed by any government, he says. There is also the argument that economic growth can itself promote

Barring political disaster, BP-Statoil's agreement may become an example of the benefits such deals can bring both to oil companies and to the host republic. At more than ibn barrels, the field will be an important addition to BP's reserves.

Moreover, while some technology will have to be imported, BP-Statoil plans to construct as much as possible of the infrastructure at Baku's SPS yard. It will also employ Azerbaijants offshore and in local management, which Browne says could provide jobs for 700 people.

While the share of profits between BP-Statoil and Azerbatjan is yet to be agreed. Browne told local reporters last week he expected a "very, very hearty majority of revenues to go to the republic. If both the Amoco and BP deals are successful, Azerbaijan should see its oil output more than tripled to 700,000 barrels a day by the end of the decade.

There will be inevitable setbacks, The day after BP's deal was signed. the managers of Asphonesat, the only private satellite phone opera-tor in Baku which BP had been using for its communications, found their office locked and guarded by police. They were told the local communications ministry had decided it needed to "supervise" communications.

BP officials were unruffled. "It's not a problem. We've coped with much worse than this in Colombia."

Neil Buckley



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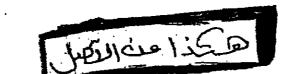
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elf aquitaine

OUR DEDICATION GOES FURTHER



Islamic tradition rewarded

S there an architectural future? With more than a third of the architectural profession ont of work belt tightening than expansion the immediate future could well be described as gloomy. Architecture is not like fash-ion. We are told that skirts get longer when times are bad.

Buildings do not get any larger they just do not get built. September is a month for looking ahead after the sum-mer break, and this year I can see that there are not going to be so many new buildings to write about. The in-tray is,

~E:-

10-

however, far from empty.

There is a lot of cultural activity ahead and I foresee considing the control of the erable debate about the need for unfashionable things like centralised planning of the infrastructure, the renewal of the housing stock and the development of policies for expansion that will be environ-mentally safe and appropriately green. In the run-up to the United States presidential election, the democratic candidate is already promising to spend billions of dollars on the collapsing infrastructure of America's cities.

dom, there is a sense of dismay at the failure during the 1980s to secure an alliance between the state and the private sector that really worked. The dreadful shadow of Canary Wharf casts a pall over Mrs Thatcher's efforts to rejuvenate the inner cities. That failure was undoubtedly caused by a refusal to recognise the Government's responsibility for improving infrastructure.
Problems in the building

world of the United Kingdom are put into perspective by a

politically uncertain states of Eastern Europe and the countries of the third world. There is one architectural agency that consistently draws attention to the achievements and problems of architects working in the Muslim world and that is the Aga Khan Award for Architecture. This award is not just a prize, it is a complex and well funded process that began by alerting islamic countries to the dangers of ignoring their particular architectural legacy during the oil-boom years of the 1970s. The award combines its search for the best architec-

glance in the direction of the tural achievements with a rary architecture and one of teaching programme in Islamic architecture at Harvard University and the Massachusetts Institute of Technology and at schools in Pakistan and Jor-It is an immaculately man-

aged award and some of its seminars have been highly constructive, particularly in the field of housing and in the debate about architectural tradition. This year the prize-giving ceremony itself achieves a particular distinction by being held in the newly created independent Republic of Uzbekistan in the ancient Muslim city of Samarkand. From some 259 entries, the international Master Jury has chosen nine projects, ranging from the restoration of the seventh century city of Kairouan in Tunisia to the careful improvement of a squatter settlement in Yogyak-arta in Indonesia.

One of the nine entries that exactly matches the aim of the award - "to navigate between the twin dangers of slavishly copying the architecture of the past and of foolishly ignoring its rich legacy" – is the Pan African Institute for Development at Ouagadougou, in Burkina Faso. The campus is modelled on Volta village plans and is built entirely of the local material of stabilised earth The award tries to encourage

architects and builders working in Muslim countries to avoid the anonymity and alienation of much contemporary architecture that is built with no sympathy for its immediate surroundings and no acknowl-edgement of tradition. The prize funds are generous some half a million US dollars and the winners will be announced in Samarkand on

September 19. The Aga Khan Award has

the architects it has commended is the Frenchman Jean Nouvel. He is really famous for one building - L'Institut du Monde Arabe on the banks of the Seine in Paris. This is an amazing marriage between Moorish traditions and high technology. From December 16 he is to be the subject of a exhibition in London at the Institute of Contemporary Arts. His opera house for Lyons and his conference centre in Tours will be included in the show and I am particularly looking forward to seeing his "Tour Sans Fins" the tallest tower in Europe and the slimmest in the world to be built at La Défense in Paris. This has been described as, "emerging from a dark crater it appears to dematerialise as it rises, seeming to soar from the centre of

European architecture is to be featured strongly in the forthcoming BBC television series, "Building Sights Europe" which starts transmission on a weekly basis on Sunday evenings on September 27. The composer fannis Xenakis and the playwright Vaclay Havel are two of the contributors who select buildings they like. Richard Burdett, who runs the Architecture Foundation in London, chooses the house on Capri built during the Second World War for the Italian writer Curzio Malaparte. It was liked by both Mussolini and Brigitte Bardot...

The Architecture Foundation exhibition about the City of London "City Changes" is to be extended until October 2 at the Royal Exchange - it is worth seeing if only to compare the recent crop of new buildings in the City with the quality and potential of some of the other



Louis Hilyer (left) and Richard Pascoe

Lyttelton Theatre

An Inspector Calls

ood news from the Royal National Theatre: Stephen Daldry turns out to be quite as effective working on a large stage as he was on a small. Daldry was until recently artistic director at the tiny Gate Theatre in London's Notting Hill and is about to take up a similar post at the Royal Court. He was invited to direct at the National while in

Who would have guessed that he would come up with An Inspector Calls to display his talents? J B Priestley's play is an impeccable example of really good middle-brow drama: full of craftsmanship, the odd surprise and several good parts. On the intellectual level, it raises questions without being in the least hit provocative or shocking. It is the sort of stuff of which the Reithian BBC was made. For an audience, it is almost impossi-

ble not to sit back and enjoy it. In other words, this is not what we expect from Daldry, although a programme note reveals that he has directed the play before at the Theatre Royal in York. What he shows at the National is that even a conventional piece can be successfully subjected to his staging techniques.

An Inspector is essentially a dining room thriller with psychological and social insights. The inspector arrives at an engagement party of north country industrialists - the Birlings of Brumley - gradually to uncover all sorts of skeletons in the cupboard. No member of the Birling family has behaved criminally; social responsibility to the unseen girl who is alleged to have committed suicide is another matter.

One way of playing this would be to give the whole stage to the dining room and let the action revolve around the table. Indeed, by all accounts, that is how An Inspector was played at its first London production in 1946, starring Ralph Richardson. Alec Guinness and Margaret T.eighton.

Daldry has different and better ideas. On a small scale, the entire Birling house is centre stage, but it is the shell from which the family is drawn out rather than where the action takes place. The rest of the stage is a kind of no-man's land. Another house can be seen in the background, a line of lamp-posts stretching towards it. A full-scale red telephone box, quite important to the plot, is in the corner of front stage right.

It is the no-man's land that is dominant and where the inspector pursues his inquiries and, one by one, members of the family admit to past actions that do not bear too close a scrutiny. This is the outside world looking in rather than the family protecting itself behind comfortably closed curtains.

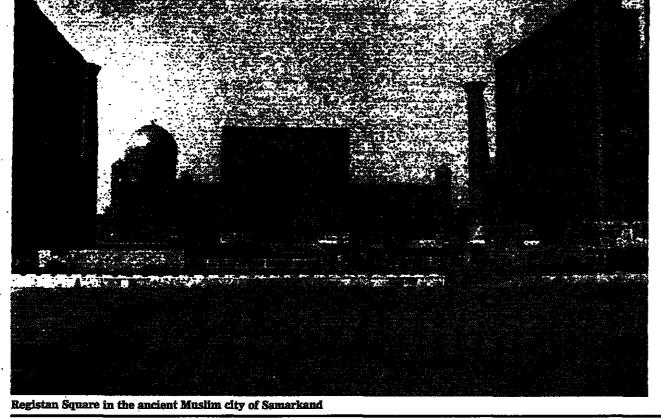
Daldry has made one other change. Although the play was written towards the end of the second world war, it is set towards the beginning of the first. Daldry has switched the action to 1945. I do not think that the change makes a ha'p'orth of significant difference. Priestley's work stands up for any period. But it does allow the use of a crowd scene. From time to time, the Labour voters of 1945 - not all them by any means in cloth caps -

silently occupy the stage and, at the end, the Birlings' house. There is also a coup de théatre. At one stage, the house falls down, dining room and all. Nothing put on by Daldry is ever dull, and as a designer he has ian MacNeil who

worked with him at the Gate. Kenneth Cranham is the inspector, the role once played by Alec Guinness. As a part, it has grown with time, for nowadays we tend to give more sympathy to the outsider than to the bourgeois family. Cranham plays it perfectly, without undue aggression. The rest of the acting struck me as a bit flat, though I admired Diana Kent as the daughter who sees the political light.

Malcolm Rutherford

In repertory at the Lyttelton Theatre (071 928 2252) until October 20, then touring.



Covent Garden

Tosca

The years pass but the voice does not change. It is difficult to believe that it will soon be 30 vears since Luciano Pavarotti made his Covent Garden debut: the beauty and clarity of this tenor voice remain undimmed, as does the musicianship of its owner, however dazzling the spotlight of media attention that is shone on his every appearance these

This revival of Tosca opened the Royal Opera's 1992/93 season. From time to time the company's still handsome production is asked to recapture the dramatic integrity it had in 1964, when it was new. More often it is merely a showcase for a star, as here. Pavarotti sang in Tosca back in 1977, when memory recalls the opera caught fire as drama. This time it did not, although that should not necessarily be taken as the tenor's fault.

In the music of Cavaradossi. Pavarotti sings to the manner born. There is no way that a ringing Italianate tenor sound can be taught. Either it is there by nature or it is not, though Payarotti has told of the exercises he practised as a student to make his vowel sounds so astonishingly clear. There was perhaps more steel to the tone than usual on Saturday. The phrases in the Act 3 aria where a singer can caress the music remained loud and tightly-controlled. Otherwise the role was

most eloquently sung. The vocal personality gives his Cavaradossi a touch of class, even if the rest of the character is only sketched in. During the lovers' playful banter in the opening scenes, Pavarotti sat at his easel, continuing to dab at his painting with a cheeky grin, while his Tosca, with no more concern for dramatic credibility, addressed the audience and hardly gave him a cursory

As far as she went, Elizabeth Holleque made a workable Tosca. In this company, however, the voice lacked glamour and power. Playing a prima donna, not least in the production created for Callas, demands a singer ready to stamp her personality on the role to a degree this young American artist, for all her virtues, was not. She entered the lion's den in the Farnese Palace looking as though she

would be swallowed pretty quickly.

An understandable reaction. perhaps, as Silvano Carroli was playing a voracious Scarpia, his eyes rolling, the power clearly gone to his head. There was coarseness in plenty here, as the voice sounded rough and he shouts too often. But Carroli can utter Italian words in a way that sends shivers of menace down the spine. The small roles were mostly taken by well-known faces, including Eric Garrett's Sacristan, the original from 1964.

In the pit Zubin Mehta obtained the gorgeously lush sounds from the orchestra that he has always found for Puccini in this theatre, although the price was some self-indulgent wallowing at

On balance a lesser conductor with a good grasp of the Italian style would probably be preferable. Despite signs that the Royal Opera had other ambitions, this was a star's evening. What Pavarotti was achieving in vocal terms was well ahead of anything else that was going on.

Richard Fairman | Christopher Craig. At the time

Liverpool Everyman

Example

elevision and theatre maintain an awkward relationship. Actors often have to choose between a lucrative Soap Opera or a worthy season in Repertory, while theatre producers need stars made bankable by television fame. At a deeper level, the two media can be mutually informing when they treat the same issues.

Here is a documentary play born of documentary television; Example, at the Liverpool Everyman Theatre, is a piece of legal history still unfolding. It was devised by the Belgrade Theatre in Education group in Coventry in 1977, and has now been reshaped by the Merseyside Young People's Theatre Company (director Chris Channing) to tour Merseyside and visit the York Arts Centre.

It is a folk tale of South London. The action recounts the story of Derek Bentley. On January 28, 1953, Bentley was hanged in Wandsworth Prison for the murder, on November 2, 1952, of PC Sidney Miles during a robbery in Croydon. The gun which killed Miles was fired by Bentley's partner, the shot was fired, Bentley was hanged. A petition, signed by unarmed and under arrest. Craig was 16 and therefore,

when found guilty of murder at the Old Bailey on December 11, 1952, his death sentence was commuted to life imprisonment; but Bentley was 19, and was sentenced to hang. He was also an epileptic, had an

After the verdict, an appeal (13 January 1953) and representations to the Home Secretary were turned down. On 26 January, a motion for reprieve presented by Sydney Silverman, MP. was removed from the Order Paper on the Speaker's instructions. No commutation came from the Home Secretary, and Bentley hanged. Several books have taken up

the case. David Yallop's To Encourage The Others (1972) and M.J. Trow's "Let Him Have It. Chris". (what Bentley is said. to have shouted, meaning either "Kill him" or "Give him the gun") along with a Thames Reports documentary (1990) director, Roger Corke) have brought fresh evidence, augmented by Craig's new contribution and an Observer piece in September 1991, to suggest that Bentley was wrongfully

205 MPs, for Bentley's pardon was submitted to the Home Secretary in June this year. A play is not a case, nor a theatre a courtroom. Example presents the emotional argu-

ment for Bentley's relative innocence: he was involved in an armed robbery, but he did not commit the murder. But Elvis Costello's viciously ironic song, "Let Him Dangle" puts a better ad hominem case.
The legal profession and the police fare badly here, the for-

mer seen as self-serving snobs

and the latter as callous liars. But if this is to be more than - justly in this instance - an anti- authority drama, the publicity material for schools should be clearer about the issues. A look at changing practices in the United States should highlight the position of convicted murderers under 18 who are, as Bentley was, mentally subnormal. in some States, they face death by elec-

Andrew St George

Example, Everyman Theatre throughout September, October and November (051 708

INTERNATIONAL

AMSTERDAM

Concertgebouw 20.15 Tadaaki Otaka conducts BBC Welsh Symphony Orchestra in works by Rakhmaninov and Wagner. with Gwyneth Jones. Tomorrow and Thurs: Borodin Quartet. Wed: Ton Koopman plays Telemann. Fri: Hartmut Haenchen conducts Mahler's Seventh Symphony. Sat: Valery Gergiev conducts Netherlands Radio Philharmonic (6718 345). Tomorrow in Beurs van Berlage: Julian Reynolds conducts Sweelinck Conservatory Orchestra (6270 466) Muziektheater 20.00 Hartmut Haenchen conducts Stephen Pimlott's production of Samson et Dalita, with William Cochran and Catherine Keen. Runs till Sep 26, with next performances on Thurs and Sun afternoon. Tomorrow, Wed, Fri, Sat Dutch National Ballet mixed bill (6255

■ ATHENS ATHENS FESTIVAL Odeon of Herodes Atticus 20.30 Glinka Choir of St Petersburg in Rakhmaninov's Vespers. Wed: concert marking 15th anniversary of death of Maria Callas. Thurs: State Orchestra of Salonica. Fri: Diego Masson conducts works by lanks Xenakis and others. Sun and next Mon: Monte Carlo Ballet. The festival runs till Oct 5 (322 1459)

BERLIN CONCERTS

Philbarmonie Carlo Maria Giulini conducts the Berlin Philharmonic Orchestra in Verdi's Requiem tonight Tomorrow: Rafael Frühbeck de Burgos conducts the Orchestra of the Deutsche Oper in works by Beethoven and Stravinsky, Fri: Libor Pesek conducts Chamber Orchestra of Europe. Sat evening and Sun morning: Riccardo Muti conducts Bertin Philharmonic in works by Mozart and Dvořák. Sun evening and next Mon: Vladimir Ashkenazy conducts Berlin Radio Symphony Orchestra (2548 8232). Schauspielhaus Sian Edwards conducts tomorrow's concert by the Junge Deutsche Philharmonie, with works by Janacek, Varèse and Stravinsky. Thurs, Fri, Sat Berlin Symphony Orchestra celebrates the 80th birthday of the conductor Kurt Sanderling (2090 2156). Edwards also conducts a Frank Zappa concert tonight at the Hochschule der Künste (2548 9250) OPERA Gwyneth Jones sings the title

role in Tosca on Thurs and Sat

at the Deutsche Oper, and also

in Elektra on Sep 22 and 26 (3410

249). The Staatsoper unter den Linden has a Carl Orff double bill on Wed, Madama Butterfly on Thurs, Die Zauberflöte on Fri and Sleeping Beauty on Sat and next Mon. Tiziana Fabbricini sings the title role in La traviata on Sun (2004 762). The Komische Oper has Cosi fan tutte on Fri and La bohème on Sat, plus a new production of Rienzi on Sep 25 (2292 555)

The Schaubühne has Marguerite Duras' play The Sickness of Death directed by Bob Wilson, on Fri, Sat and Sun. The Schaubühne production of Maxim Gorki's social drama The Lower Depths can be seen at the Freie Volksbühne tomorrow and Wed (890023). Tonight and tomorrow, Divadio Na Zabradii theatre company from Prague presents a play by Oleg Yuriev at the Hebbel Theater (2548 9250). The Maxim Gorki Studiobühne has a new production of Rainer Werner Fassbinder's 1971 play Die bitteren Tränen von Petra von Kant, with Swetlana Schönfeld in the title role (2082

■ COLOGNE

CONCERTS Michael Tilson Thomas conducts the London Symphony Orchestra in tonight's concert at the Philharmonie, with violin soloist Viktoria Mullova (repeated tomorrow in Frankfurt, Wed in Brussels, Sat in Munich). Tomorrow: Christa Ludwig sings Winterreise. Wed: Sian Edwards conducts the Junge Deutsche

Philharmonie in works by Schnittke, Varèse and Frank Zappa. Thurs: Gianluigi Gelmetti conducts the Stuttgart Radio Symphony Orchestra in works by Webern, Beethoven and Hindemith. Sat: Arturo Tamayo conducts a John Cage programme. Sep 24: André Previn conducts the Vienna Philharmonic (2801) **OPERA**

The 1992-3 Cologne Opera season begins on Sun with a new production of Macbeth conducted by James Conlon, with Elizabeth Connell and Franz Grundheber (six performances till Oct 9). Pelléas et Mélisande, also conducted by Conlon, returns to the repertory on Sep 26 (221 THEATRE

The Schauspielhaus repertory includes Dürrenmatt's The Visit, Strindberg's Dance of Death and Edward Albee's Who's Afraid of Virginia Woolf. The Kammerspiele has Samuel Beckett's play Krapp's Last Tape and George Tabori's Jubilaum. A new production of Edward Bond's Saved opens at the Schlosserei on Sep 30 (221 8400)

■ NEW YORK

The Chamber Music Society of Lincoln Center tonight pays tribute to Alice Tully on her 90th birthday with a concert in Alice Tully Hall entitled A Toast to Miss Tully. Among the artists appearing will be Isaac Stern, André Previn, Yo Yo Ma and Dawn Upshaw (875 5787). This week's City Opera repertory

includes a revival of Romberg's operetta The Desert Song tomorrow and Frank Corsaro's new production of Busoni's Dr Faust on Thurs (870 5570). The New York Philharmonic's 1992-3 season begins on Wed with a gala concert conducted by Kurt Masur. Masur also conducts a Beethoven, Mehul and Schubert programme on Thurs, Fri and Sat (875 5030)

■ PARIS MUSIC

Tomorrow at 20.30 in the Grand Auditorium de Radio France, Marek Janowski conducts the Orchestre Philharmonique de Radio France in Lutosiawski's Concerto for Orchestra and Messiaen's Turangalila Symphony. Charles Dutoit and the Orchestre National de France play two programmes this week at Šaile Pleyel: works by Bartók, Prokofiev. Debussy and Ravel on Thurs, Honegger's Jeanne d'Arc au bûcher on Fri (4230 3630). The Opéra Bastille season begins on Sep 24 with Le nozze di Figaro (4473 1300). The Châtelet has a new production of Evgeny Onegin opening on Sep 28 (4028 2840) THEATRE

Mediterrania, a Catalonian theatre piece performed by Els Comediants, opens the Odéon-Théâtre de l'Europe's Spanish season on Wed, and runs till Oct 18 (4441 3636). The three-month Festival d'Automne à Paris gets under way this week with Chekhov's Cherry Orchard at the Théâtre de Gennevilliers,

directed by Stéphane Braunschweig (4793 2630). Full testival programme from 156 rue de Rivoli (4296 1227)

Tonight's performance in the

■ VIENNA **OPERA**

Staatsoper is Andrea Chenier, with Katia Ricciarelli, Luis Lima and Renato Bruson (also Thurs). Tomorrow and Fri: Madama Butterfly, Wed and Sat: Lucia di Lammermoor with Gruberova. Sun: Die Entführung aus dem Serall. The Volksoper has a Zemlinsky double bill tomorrow, Evgeny Onegin on Wed and Die Zauberflöte on Fri (51444 2960) **CONCERTS**

A Week of English Music opens on Sun with a concert by the Academy of Ancient Music conducted by Christopher Hogwood at the Konzerthaus (712 1211). The LSO conducted by Michael Tilson Thomas can be heard at the Musikverein next Mon, followed by the Consort of Musicke under Anthony Rooley next Tues and the Halle Orchestra on Sep 26 and 27 (505

THEATRE Eugene O'Neili's play A Moon

for the Misbegotten is running daily except Sun at Vienna's English Theatre, Josefsgasse 12 (402 1260). This week's repertory at the Burgtheater and Akademietheater includes Waiting for Godot, Dürrenmatt's The Visit and the world premiere of a new play by Elfriede Jelinek

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FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Monday September 14 1992

Uncle Sam tries it on

FOR A country that suffers from a conspicuous shortage of savings and an endemically weak current account, the US is oddly cavalier in its treatment of the providers of foreign capital. Once again the US subsidiaries of foreign multinationals are being called on to make a bigger contribution to the US fiscal pot. As in the earlier battle over unitary taxes in the mid-1980s, the international business community is justifiably enraged at the manner in which the US is going about the job.

The chief bone of contention is

the tax treatment of transfer prices at which goods are shunted across national boundaries within the same group of companies. In February the US Internal Revenue Service abandoned the internationally accepted approach whereby transfer prices – a chargeable cost against taxable profit – were judged in accordance with the arm's length principle. It decided instead to measure foreign-owned companies' profit by reference to average profits in comparable domestic businesses.

This approach could now be given a legal basis as a result of a bill sponsored by Mr Dan Rosten-kowski, chairman of the House Ways and Means Committee, and Mr Bill Gradison. Under the proposed legislation taxpayers who have not already negotiated an agreement with the IRS on transfer pricing would be required to obtain their own information about the average profits of comparable businesses and to pay tax on that basis, rather than on the basis of their own disclosed profits. For good measure the bill seeks to introduce capital gains tax on the disposal of shares by foreign owners of US companies a measure that was dumped from the 1989 Budget Reconciliation Act after clamorous international protest. Meanwhile, Democratic presidential nominee Mr Bill Clinton proposes to raise substantial revenues with his own assault on

transfer pricing.

It is not inconcelvable that there is widespread abuse in the US over transfer pricing. Certainly studies have tended to show that the level of profitability in foreign owned companies has been signifi-

cantly lower than in domestically owned business. Yet it would be surprising if this were not so. For much of the 1980s foreign direct investment into the US was growing at more than 20 per cent a year. The profitability of the total stock of foreign investment would thus have been heavily influenced by start-up costs and the desire to invest in building market share. At the same time the returns on the more aged stock of domestic assets would have been overstated, relatively, through the impact of the historic cost accounting convention on depreci-

Nor is there any evidence that the US is a bigger loser from transfer pricing abuses than, say, Britain, Germany or France. But that, of course, misses the point, since the US is not chiefly concerned to address the question of international tax avoidance. Mr Clinton, as with Mr Bush, is simply anxious to seize any opportunity to raise revenue by the backdoor.

At the same time the Rosten

kowski-Gradison bill is just one more instance of the national paranoia about Japan and the associated urge to bite the hand that provided the lion's share of the \$1,000bn of foreign capital that the US has imported since 1980.

As with the Structural Impediments Initiative, the US is seeking to have it both ways. But this time, as well as violating tax treaty obligations, the proposed legislation catches Europe in the

cross-fire. European governments

can be relied on to lobby fiercely

to mitigate the damage. There is a clear need for the issue of transfer pricing to be addressed at international level. To that end the OECD has already set up a task force which will provide the data for a properly informed debate. In the meantime US multinationals would do well to remind their friends in Washington that the European response to the unitary tax wrangle was to introduce legislation to permit retaliation. With so much at stake on both sides it would make no sense to proceed with such an arbitrary approach to the taxation of the profits of foreign companies

Angola's poll

THE VISION of a stable and thriving post-apartheid southern Africa is being tested in Angola, and the outcome is in the balance. Can the ruling MPLA and its main challenger, Unita, settle their differences through the ballot box at the end of this month, or will old enmittes prevail?

The stakes are high. A successful transition to democracy will help unlock the potential of one of Africa's most richly endowed countries, which in association with South Africa could provide the economic boost the region badly needs. Pretoria is Luanda's natural trading partner, notwithstanding the irony that Angola's oil - over 500,000 barrels a day - will be paying for the rehabilitation of an economy that South Africa helped destroy.

Failure will not only destroy this vision and dash hopes for the recovery of a country battered by a 16-year civil war. The consequences of an unstable Angola permeate the region, whether as refugees, traffic in arms or the continued closure of the Benguela railway, once the main outlet to the sea for Zaire and Zambia.

The omens are mixed as the country enters the last phase of a process which began with a UN monitored ceasefire 16 months ago. Banditry by demobilised soldiers, unrest in the oil enclave of Cabinda, and increasing tension between the two armies all threaten a fragile peace.

An encouraging development was last week's news that both President Jose Eduardo dos Santos and Mr Jonas Savimbi, the

Unita leader, intend to form broad based administrations irrespective of their margin of victors.

of their margin of victory.

But this assurance may not be enough to contain tensions that could derail a process that has been flawed from the start.

It has always been apparent that the UN mission was given inadequate resources for its task of monitoring the ceasefire and the demobilisation of two rival armies, and deciding whether the elections are free and fair

tions are free and fair.

In contrast with the UN role during Namibia's transition to independence, it does not have to organise the poll. But the contrast between the Namibian operation, with 6,000 UN personnel in a country with a good infrastructure and only Im people, and what is expected from a 600-strong UN team in a country shattered by war and with 10m citizens, is a sorry

one.

The difficulties are compounded by Angola's weak bureaucracy and mutual distrust between MPLA and Unita, which has left vital features of the transition behind schedule. Demobilisation of the two armies is incomplete, as is the creation of a new national

Nor is it certain that the government can arrange the efficient distribution and collection of ballot boxes, any more than that the UN team has the resources with which to make a definitive pronouncement on the exercise. Angola's hazardous transition may well succeed, but it will be due as much to good fortune as good judgment.

Insider alarms

THE CITY of London is deeply troubled by proposed new legislation on insider dealing, and it is easy to see why. The present law is discredited. Marked share price movements in front of important company announcements are commonplace; successful prosecutions are rare. The idea now is that the scope of legislation should be widened, in ways that will significantly increase the numbers of people who qualify as insiders.

people who qualify as insiders.

The law needs to pass two conflicting tests. It has to provide definitions of wrongdoing that can successfully be prosecuted. And it has to do this without damaging the interests of those who are trying to conduct legitimate business. The present law falls the first test, since proving that someone has knowingly been trading as an insider turns out to be extremely difficult. The new proposals could

well fail the second test, by effectively defining as inside information almost anything that anyone

ton almost anything that anyone could possibly want to know.

There are real risks that this approach could check the flow of information between companies and investors in a way that would damage the interests of the capital markets. Company directors already have enough difficulty in briefing investors about changing business conditions. The new law

could make this worse.

It is unrealistic to legislate for a market in which all participants have equal access to information. Better instead to aim more modestly for an environment in which those who abuse positions of trust are punished, and companies are encouraged to be as open as possible about their affairs. The government needs to go care-

oubt is a rare commodity among the politicians and bureaucrats who run the European Community in Brussels. Cocooned in a world of grand designs and logical structures, they normally project a smooth self-confidence about the role of the EC at the centre of Europe

Europe.

With the French referendum on the Maastricht treaty just six days away, this confidence has been punctured. Whatever the outcome on Sunday, there is a realisation among Eurocrats that they can no longer assume that the development of the Community is an historic inevitability.

The national debate in France on Maastricht has been sobering for the entire Community. For the first time since the Treaty of Rome in 1957, the French, the traditional driving force behind European integration, have held a debate on Europe — and it has been conducted on pational terms.

ducted on national terms.

Both supporters and opponents of the treaty have invoked the fear of German begemony to buttress their campaign, while President François Mitterrand's statement that France would not support majority decisions by the Twelve on important matters of foreign policy could have come straight out of the mouth of Mrs Margaret Thatcher.

The French have rediscovered the allure of national sovereignty. This Gaullist tendency was detectable in the closing phase of negotiations on Maastricht last December when France pushed to vest more power in the Council of Ministers, and it has grown. Last week Mr Mitterrand chose to emphasise that the independent professionals who would run the European Central Bank would be subject to the control of elected politicians in the European Council. "Either he dared not tell the French the truth," says one EC observer, "or he simply distorted the treaty."

From Brussels' viewpoint, second

French thoughts about Eurofederalism are troubling. The shift coincides with evidence in other European countries - Britain, Denmark, and most ominously, Germany that popular enthusiasm for Maastricht's path to political and monetary union, never strong, is weakening. The Danish vote in June against Maastricht no longer looks like an aberration. "If there was a referendum in Germany tomorrow, says one EC official, "it would fail."
How has this sudden burst of Euroscepticism come about? One explanation is public ignorance: the dense 250-page text is about as readable as a London bus timetable. Even supporters of closer integration worry about this. Mr Jacques Delors, who has threatened to resign as European Commission president if Maastricht is rejected, constantly complains about the design of the treaty while on the campaign trail in his native France.

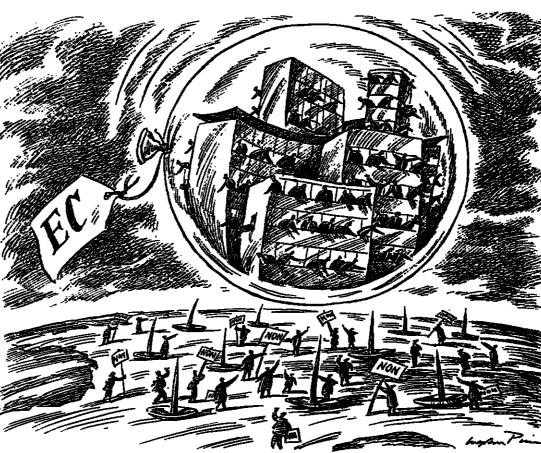
A senior EC official describes the shock experienced in Brussels when a spate of public opinion polls showed a majority in France against Maastricht. It was, he says, as if the heads of government and civil servants responsible for Maastricht had existed in a space bubble, too remote to gauge the true sentiments of the people.

ments of the people.

Coming down to earth has been a bruising experience. It has forced officials and ministers to focus on the possibility of a French rejection. The great fear is that the dynamic development of the Community will dissipate as governments become paralysed by uncertainty about the EC's future. Important, pressing

The French referendum is prompting EC officials to revise long-held assumptions about the Community, says **Lionel Barber**

Brussels balloon flies into danger



issues such as a resolution of the Uruguay Round trade talks will be even more difficult to agree.

Mr Delors launched the plan for monetary union with meticulous preparation, but Chancellor Helmut Kohl and President Mitterrand added on the ill-defined political union in response to the unforeseen collapse of the Soviet empire and the resulting unification of Germany. Five years of steady economic growth and the success of the single market project (1992) was enough to persuade the true believ-ers that the gamble could be pulled off; but the costs of German unification - coupled with the economic slowdown on the Continent - have made the enterprise appear much more fragile. The immediate impact of a

French No would be in the financial markets. Speculators may be underestimating the determination of European central banks and their governments to maintain the parity grid inside the exchange rate mechanism (ERM). Yet the threat of a further increase in European interest rates caused by the Bundesbank's tight monetary policy – and the weak dollar – leave a big question mark over the commitment of weaker members to the ERM such as Italy. French rejection, says one senior EC observer, would mean that "the timetable for a single European currency by the end of the century is dead".

A French No would make the horse-trading among the Twelve, which lies at the heart of the EC process, infinitely more complex. The Delors II package, which would funnel billions to the poorer southern member states to bring their living standards closer to those of the richer northern countries, would be impossible to attain. The EC's plans for enlargement would also risk being delayed.

econd, Maastricht's plans for "political union" linked to a common European foreign policy would appear even more remote. So too, the tentative vision of a common European defence. Countries such as Britain, which regard the Nato alliance as the primary political and military organisation in Europe, already find such a defence policy hard to swallow. Yet the show would go on, albeit

Yet the show would go on, albeit on a different course. Member states would still continue the process of wider European co-operation. The consequences of the single European market — the project which provides for the free movement of goods, services, capital and people by the end of this year — make this inevitable. The question is whether a weak EC would have the energy to address neglected areas such as law enforcement and immigration. Both these areas are assuming greater urgency in view

of the continuing refugee exodus from eastern Europe, so vividity demonstrated by the Rostock riots. A Yes vote in France would not resolve a broader question: Will the EC be able to absorb the lessons

provided by the French referendum and the ratification process?

Much of the opposition to Maastricht is driven by fears about the consequences of the internal market. In France, for example, farmers may vote against Maastricht because they are angry over Common Agricultural Policy, which reduces their financial aid. But in the coming months and years, as the single market starts to embrace previously protected national businesses such as telecommunications and public procurement, the scope for conflict rises exponentially.

Arguments about economic and monetary union (Emu) are inevitable. Maastricht's basic monetary to give up the D-Mark in return for an independent central bank looks precarious. Fears in Germany that the Twelve will try to dilute the strict convergence criteria required for Emu are understandable. Even if Chancellor Kohl's coalition government secures ratification in the Bundestag and Bundesrat this year, both chambers are now demanding the right to hold a "vote of approval" before the EC can move to the final stage of Emu. The invocation of national German interest is viewed with sympathy in Brussels. It underlines the present trend in Europe: an increase in the assertiveness of national parliaments as the realisation dawns about Maastricht's impact on national sovereignty.

impact on national sovereignty.

In Britain, where the House of Commons has long debated the pros and cons of Europe, if not the fine detail of EC legislation, this assertiveness is viewed as healthy. In France and Germany, where national legislatures took EC membership for granted as part of their country's post-second world war rapprochement, it is a new phenomenon. And it demands a response, according to Brussels officials.

according to Brussels officials.

Their answer is subsidiarity—
the notion that the EC should exercise restraint in its application of
Community law and devolve power
to members. Mr Delors, often caricatured a power-grabbing centralist,
has been pushing for devolved
power as far back as 1988. The problem is that in the absence of concrete proposals few bureaucrats,
particularly in the European Commission, have paid much attention.

he result is a crisis of confidence in the Commission. Eurocrats complain they have become a convenient flogging horse for politicians in the European Council who wish to duck responsibility for unpopular decisions. They argue, correctly, that the European Council – not the Commission – is the big winner at Maastricht through the increased role for intergovernmental co-operation outside of Community law.

fion outside of Community law.

Mr Major, Mr Mitterrand and Mr
Delors have all made this point in
the past fortnight. Yet few have
drawn the consequences. However,
technocratic and undemocratic the
Commission may be, it pales by
comparison with the smoke-filled
rooms in the Council. For the Council is not subject to serious scrutiny
either by the European Parliament,
which has falled to establish broad
legitimacy, or the national legislatures which have for the most part
ignored European affairs.

How to make the Council and the Commission more accountable is one of the great tests of the coming decade, says a senior EC official. It will become even more important, should the EC proceed as expected with the admission of new members, starting with Austria, Finland, Sweden and Switzerland before the end of the century. Institutional reform, including the reduction in the number of EC commissioners and the vexed question of more majority voting, seems inevitable.

majority voting, seems inevitable.

But for the moment all eyes are on the French, and the Danes. It is far from clear that a French Yes can salvage a treaty which remains hobbled by the Danish vote and which requires unanimity to have the force of law. No one is sure in Brussels how the Danish question-can be finessed. Most bets centre on a separate code of conduct on subsidiarity added to the treaty which could be put to a second referendum next year. But the timing is highly sensitive since a French Yes would increase pressure on the Danes to take or leave Maastricht.

If Maastricht fails, the EC will be a far weaker, less reliable, partner for the US and other allies – a throwback to the 1970s when member states could not even agree on a common response to the oil criss. With momentous events unfolding outside the EC's frontiers in Yugoslavia, eastern Europe and the former Soviet Union, this is a distinctly uncomfortable prospect.

PERSONAL VIEW

Crunch for sterling

By John Muellbauer



It is increasingly apparent that the emperors of UK economic policy have no clothes. The commitment to keep sterling within an exchange rate mecha-

nism (ERM) band centred on DM 2.95 to the pound is unsustainable. The UK joined the ERM at a rate which observers at the Bundesbank at the time regarded as overvalued by between 10 and 15 per cent. They were right.

There are at least four arguments

There are at least four arguments for sterling's realignment.

• Various indices of competitive-

ness suggest the pound is overvalued;

the traded goods sector's reduced capacity.

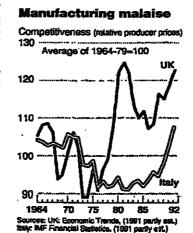
capacity;

the trade deficit;

• and depleted net foreign assets.
On measures of manufacturing competitiveness, the graph shows UK relative producer prices from 1964 to 1991; the comparison with Italy is pertinent because the lira is widely seen as overvalued. Some observers ignore the evidence for the period before 1980 to argue that the UK was more competitive in 1991 than in 1981. In fact, since 1979 (apart from a brief episode in 1986-87), UK competitiveness has been substantially worse than in

the previous 15 years.

The second argument concerns production capacity. Here the comparison with Italy is instructive. Compared with the UK, Italy enjoyed a relatively stable and favourable competitive position between 1977 and 1988. The effect of improved competitiveness on output and capacity in Italy is Illustrated by the 37 per cent rise in manufacturing output in 1979-89; in Britain manufacturing output rose by 11 per cent over the same period.



The loss of capacity and job skills which is now occurring will raise inflation when demand eventually improves. Econometric models, including the Treasury's, omit this effect. Thus, such models take no account of the ways a devaluation could in current circumstances raise output permanently and cut inflation in the long run.

The third argument is that in spite of weak domestic demand stemming from the consumer "debt trap", the highest real interest rates on record and falling real income and wealth, Britain imports more than it can sell abroad.

Fourth, half a decade of trade deficits have run down Britain's international wealth and its ability to finance further deficits,

UK competitiveness in 1991 was

about 20 per cent worse than the 1964-79 average. However, this does not imply that a 20 per cent fall in the sterling index is required.

This is because, first, the tempo-

the stering index is required.

This is because, first, the temporary undervaluation of the dollar will begin to correct itself when Suropean interest rates fall; and

second, because the UK now has bigger net exports of oil and gas than in 1964-79, though this is declining compared with the 1980s. On balance, sterling needs to fall

On balance, sterling needs to fall to between DM 2.4 and DM 2.5 - the biggest realignment in ERM history. This would translate into a 10 to 12 per cent fall in the tradeweighted index depending on any currency realignment by Italy and Spain. Three years on, this is likely to leave UK prices 2½ to 3 per cent higher than they would have been. This, in turn, would add less than 2 per cent to inflation in any year which, given the declining trend in inflation, is tolerable.

For the UK the inflationary risks are minimal. Indeed the lack of credibility of government policy is partly due to the ferocity of the deflationary forces now operating.

UK government credibility demands that any sterling realignment be large enough to make negligible the risk of a further early devaluation of the pound. My proposal for sterling's realignment meets this requirement. Credibility is likely to be enhanced by moving to the narrow band at the new exchange rate. Other steps such as increasing the Bank of England's independence and not extending mortgage interest tax relief would also help.

also help.

The Italian lira also needs to fall against the D-Mark. Italy is not far behind the UK in breaking the inflationary round but needs more teeth in the emergency powers its new government is seeking to make a

devaluation successful.

For both the UK and Italy, a realignment within the ERM is safer than floating their currencies, as the recent Scandinavian experience shows.

The author is a fellow in economics, Nuffield College, Oxford.

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A law on UK insider dealing is soon to be introduced. Richard Waters and Robert Peston ask whether it will catch all offenders

ometimes it seems as though the City leaks price sensitive informa-tion like a sieve.

Two marketmakers overhear a conversation on their banks' politan, a leisure group, is about to make a bid. A secretary at the Office of Fair Tradmg learns of several bids about to be referred to the Monopo-Kes and Mergers Commission. A young banker hears from a colleague that there is about to be a bid for Pleasurama, a lei-

sure group. These are all cases that have led to insider dealing prosecutions in the past two years. In each, the defendants were acquitted of trying to profit from their inside knowledge. The British government is

about to try again to plug the holes in the sleve. An EC direc-tive will make insider dealing a criminal act in all Community countries for the first time. This has prompted Mr Anthony Nelson, the treasury minister who recently took over responsibility for City regulation, to introduce into parliament in October new insider dealing legislation as part of the Criminal Justice Act.

The thrust of the Treasury's changes is to broaden the scope of what constitutes insider dealing. At present, it applies only to trading a particular company's securities on the basis of unpublished pricesensitive information about that company. The information also has to come from someone closely connected to the company (a "primary insider").

The scope will be widened in several important ways. First, the law will apply not only to company securities. Trading in the gilt market on the basis of confidential market-moving news would also be caught. Such trading is alleged to have happened 10 days ago, shortly before the British government announced extensive moves to shore up sterling. However, the law will still not cover the foreign exchange markets, or dealings that are made outside what it calls a "regulated market".

Second, all information that affects a company's share price will be covered, not just information about the company itself. So information about a company's competitor or information about an industry could be inside information. In addition, the need for a "primary insider" will disar That should make it easier to prosecute City advisers who learn of price-sensitive news through others they work with, rather than directly from a

Finally, the new law makes it illegal for the possessor of



Nelson, left: trying to reduce the number of acquittals. Collier, right: pleaded guilty

inside information to encourage someone else to deal in shares, even if that person is not told the inside information.

This proposed widening of the act has caused consternation in the City. At the end of July the government took the unusual step for primary legisation of circulating a draft of the new law to interested organisations, including the British Merchant Banking Association, the Securities and Futures Association and the Stock Exchange.

Nonetheless, regulators, mar-

tion, because the definition of over the past 11 years, almost inside information has been broadened so much.

In reality, the law may not have such a big effect on analysts. Their relations with companies are already governed by the existing legislation. If com-panies seek to influence their share prices through a series of nods and winks to analysts, then in theory that is already covered by the act - although no prosecutions have been

Analysts may actually find themselves less open to proseket authorities and brokers are cution in some cases. As

Almost all conversations with companies will probably put the analyst in possession of inside information

worried that far-reaching changes are being rushed into law without a full assessment of their impact. The City is concerned that the law will interfere with its proper function of helping to get important information out to investors and the public at large. If, as planned, the act catches any information that may affect a company's pros-pects that has not already been "made public" (another broad phrase in the proposed law), brokers' analysts could find themselves treading a minefield. The BMBA has been concerned that the law might define as inside information

on such information will not be caught by the act. On the other hand, almost all conversations with companies will probably put the analyst in possession of inside informarequired by EC legislation, the new UK law will apply only to information that is "precise". So if a finance director nudges an analyst to alter his or her conclusions about a company's trading prospects, without actually giving out hard infor-mation, it would be more diffi-

cult to mount a prosecution. However, the Treasury does not believe that analysts will escape lightly. It says that the word "precise" refers to information with a direct provable relationship to share price movements, such as guidance on a company's profits, as opposed to "general" information, such as inflation or trade even those conclusions drawn figures which have a less easfrom publicly available inforily demonstrable effect on tion. However, the Treasur

In general, the proposed has taken great pains to ensure that analysts' research based ges may bring more deals into the scope of insider dealing. However, they may give the authorities only marginal help in achieving a higher success rate in their prosecutions. In 28 insider dealing trials

half the defendants have been acquitted. Of those who have been convicted, more than half pleaded guilty - including Mr Geoffrey Collier, the Morgan Grenfell director convicted in 1987 and the biggest City figure caught by investigators.

The need to prove "intention" in insider cases is a great problem. Cases have often collansed because of the difficulty of proving beyond any reason able doubt that someone dealt in securities precisely because he or she was in possession of inside information. In other words, proving that someone has been "knowingly" dealing as an insider has been

difficult. However the new law should help prosecutions in that it puts the onus on the defence to prove that any dealing was not prompted by inside information - rather than on the prosecution to prove that it was, as

at present. The weakness of the prosecution record has in recent years prompted calls both from the City, in the shape of the Securities and Futures Authority and the London Stock Exchange, and Westminster (the trade and industry select committee) for an overhaul of the way insider dealing is

investigated and prosecuted. There have been suggestions that investigators should be given greater powers, that a new body should be created to centralise the fragmented investigatory system, and that additional civil sanctions where a criminal prosecution seems unlikely to succeed.

By rushing through the changes this autumn, the Treasury may have pre-empted discussion. A chance to plug more holes in the sieve may have

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SEI 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Image, not city, is tarnished

From Mr William Davis. Sir, In your editorial, "Tired of life" (September 11), you state that in the BTA's annual report I "trotted out the usual complaints about a litterstrewn, tired and tarnished

This was not my complaint. My comments referred to Lon-don's image, which I said regrettably, has become more than a little tired, even tarnished, in recent years" and announced a major campaign which seeks to put this right.
It is the BTA's job to pro-

mote Britain in overseas markets and we naturally do all we can to present a favourable picture of our most popular destination. This is why, together with the London Tourist Board and industry partners, we are launching a campaign in the US which will highlight what

our great capital has to offer. But promotion has to be matched to performance and we cannot afford to be complacent. We have to listen to what visitors tell us. London still has its share of problems and we have called for a determined effort to tackle them. We hope Londoners will respond, because the income from tourism, some £4.5bn a year, is vitally important to all. William Davis,

British Tourist Authority, 24 Grosvenor Gardens, London SW1W 0ET

ERM exerts no constraints on freedom of currency markets

From Mr Nicholas Colchester. Sir, From time to time your columnists assert that the exchange rate mechanism is a denial of the free market, because it attempts to fix the price of sterling. Joe Rogaly did so scathingly last week ("Mr Majtricht's logic", September 8).

In fact, the market in ster-

ling - and any other ERM cur-rency - is totally free: no private buyer is constrained to buy, and no private seller is prevented from selling, at the going price. No foreign exchange traders are told to obev price controls. No exchange controls are constraining the free decision of investors to get into or out of the currency.

ful swing producer at work.

The British government is to sterling what Saudi Arabia is to crude oil. It is not the sole creator of sterling - the banking system makes money too - but it is a very powerful supplier of it. In any trade, those in such a privileged position always have two options, both consistent with the free market. They can decide, in some

can decide on a price and alter the supply. Both strategies are an everyday part of business

way, on an output and let the

price move around. Or they

There is room for argument as to which of those two options the government and

There happens to be a power- the Bank of England should pursue. Those who believe count me in - that the main function of money is to have a stable worth will be inclined to maintain its price against something, whether gold, the D-Mark or goods in general, and vary its supply. Those who see sterling mainly as a lubricant for economic activity will want to print a generous sup-ply of it, and let the markets

value the result. That is the essence of the argument about the pound in the ERM. In conducting it, neither side can argue that the other is trying to throttle market forces Nicholas Colchester,

37 Arundel Gardens.

Insurers work with patients to contain charges

his insurer. The direct settle-

ment system costs the insurer,

in cash flow terms, more money, but that was judged to

be worthwhile to give this

valuable service to the patient.

cation that direct settlement is

done without the patient's

Despite Mr Lawrence's impli-

From Mr Roy Forman Sir, Mr Lawrence's letter (September 10) criticised medical insurers for discouraging the patients of hospitals and specialists from approving or

querying their charges.

He asserted that it was "in the interests of efficiency" that insurers settle a patient's bills by paying the health care pro-vider rather than the insured person. That is not so. Direct settlement, which was initlated years ago by PPP, was intro-

approval, in most cases it has in fact been done only with his express prior consent. Far from not wanting duced as a service to the subscriber, to minimise the worry patients to check their to the a patient caused by havaccounts from health care pro-

ing to pay large sums himself, be out-of-pocket for a while, and reclaim the money from check thoroughly any medical bills to ensure that they accurately reflect the services pro-

vided." We therefore already act in agreement with Mr Lawrence's basic point that insurers need to work with patients in seeking to constrain increasing charges. Roy Forman,

managing director, Private Patients Plan

PPP House. Kent TN1 1BJ

British companies display little determination to export

From Mr Gavin Clezy.

Sir, in Britain we are rightly concerned at our negative trade balance, but even a serious recession doesn't seem to have significantly blunted our thirst for imports. Much is made of the relative strength of sterling, the quality of our products, R&D, delivery service, etc. but, important as all these may be, I suggest that there is another, rather simpler, explanation for our success in importing rather than exporting. Importing is so

As a British but bilateral

our best to help British companies export to Italy and, committed to the concept of trade. we also help Italian companies export to Britain. When we receive a request for information we write in reply stating exactly what we can supply and how much we will charge for it. This information is usually quite simple and the amounts charged are extremely modest.

So far this year only 14 per cent of British companies have taken up our offers and this compares with a much more positive 52 per cent response from Italian companies. And this despite the fact that, from long and negative experience, we charge UK companies less than those in Italy. As a result our income from Italian companies for this type of service is over five times as much as that from British companies.

local, Italian market research organisations which have great difficulty in persuading poten-tial British exporters to pay more serious sums of money for more profound research. I believe our experience as a chamber is similar to that of other British chambers in

Our experience is shared by

given up the belief that "one has to spend money to make

Or is it simply another symp tom of our lack of determina tion and tenacity in increasingly competitive world markets? If I were chairman of a UK company and worried about results I would have a good, hard look at the export department. Gavin Clezy.

chief executive, British Chamber of Commerce for Italy, Via Agnello 8, 20121 Milan,

Observer

Best-seller in exile

Forget Terry Smith, the sacked head of research at UBS Philips & Drew and his book Accounting for Growth. When it comes to publishing runaway financial best-sellers, Peter Tasker can show Smith a clean pair of heels any day.

The head of research at Kleinwort Benson's Tokyo office is already on to his third successful book (written in Japanese, to boot), and without a cross word from his employers - so far, anyway,

Having spent the last 10 of his 36 years in Tokyo, he has won the rare distinction of getting both a novel and a serious non-fiction work in the Japanese best-seller list within 12 months of one another. Sales of his End of the Japanese Golden Era have topped 80,000 copies, and his first novel Silent Thunder has sold 35,000 and is now being published in English.

As financial-thriller writers go, he places himself somewhere between new life peer Jeffrey Archer and Paul Erdman. He says he's more serious than the noble lord. but not quite so well qualified as Erdman, who penned his first work in a Swiss jail after trying to corner the world cocoa market for a Californian

Like most money-mystery spinners, Tasker draws heavily on real life models for his characters. For instance, Silent Thunder features a big securities firm which gets up to much hanky-panky, a Japanese prime minister who is deposed by right-wing radicals, and a Japan-bashing American senator with his eye on the US presidency. There is also plenty of sex, and no lack of MOF officials getting

'rubbed out". The story, however, also has its serious side - the radicalisation of trade frictions between Japan and its trading partners. "It is something that could happen," Tasker warns. He should know. He is anked as the number one strategist by Japanese institutions.

Civilising

■ The task of getting Britain's ublic services better managed is clearly being taken seriously by William Waldegrave, as witness his importing of busmess psychologist John

Nicholson as a special adviser.

Besides producing numerous publications including the BBC book How do you manage?, he is chairman of the John Nicholson Associates consultancy which has advised such blue chip clients as Mercedes-Benz, IBM and Hitachi on customer-service initiatives. His speciality is on changing attitudes in organisations to make their culture more user-friendly, rather than just "sticking spears up people's backsides". Nicholson almost became a

rock musician after graduating from Oxford. His group was called The Blue Monks and Their Dirty Habits. He also played the piano for the Balliol Players in a spoof of an Aristophanes-style comedy in which Chris Patten, now our man in Hong Kong, played Queen Victoria.

All useful early training,

no doubt, for his objective of helping "civil servants behave in a civil way".

Absent friends ■ Where will you be on the day French voters decide Europe's future? If you follow the example of the community's ruling élite, you will be at least 3,000 miles away.



"I'd like to bet on who's going to walk out of judging the Booker prize

The twelve's finance ninisters and central bankers expected to calm the chaos on the financial markets if the French deliver a Gaullist snub to Maastricht – will be in Washington for the IMF's annual jamboree.

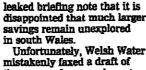
The pals from the EC's foreign ministries will be just up the road in New York attending the general assembly of the United Nations when the votes are counted on September 20.

Presumably they'll be able to spare a few moments from the cocktails to assure us that Europe is safe in their hands.

Welsh squabbles ■ What a way to run a water

has been frightening its smaller privatised rival, South Wales Electricity, by taking a hostile 15 per cent stake and making nasty noises, has

sprung an embarrassing leak. Welsh Water is expected to announce soon a co-operation deal with Manweb whereby it shares some of Manweb's depots in north Wales. It makes sound commercial sense and Welsh Water says in a



the proposed press release to South Wales Electricity, which indignantly ripostes that it has always been happy to co-operate on such deals. The problem is that Welsh Water has never suggested it.

Brave words

■ Connoisseurs of political whistling in the dark may care to compare the Finnish president's statement after last week's flotation of the markka with two classic British examples of former times.

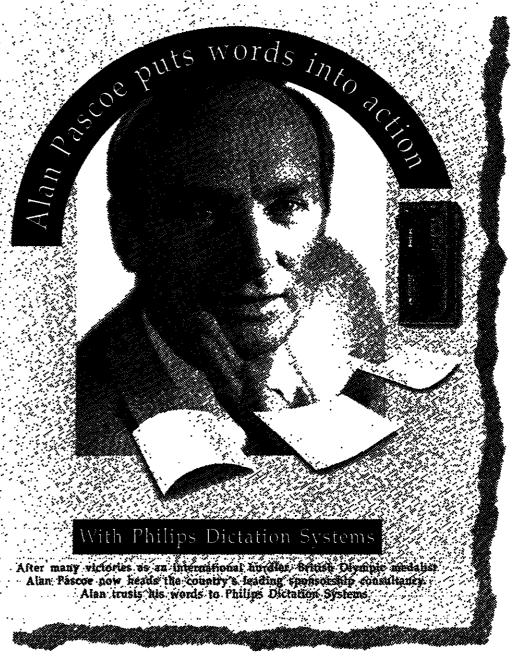
"My conviction is that our currency is not fundamentally overvalued and that there is a real possibility that when more transactions are made when exporters and importers meet, the level of the exchange rate will be substantially lower (meaning a stronger markka) than the level of those very few and non-representative transactions that have got much publicity." President Mauno Koivisto, as reported

by Reuter, September 8 1992. "That doesn't mean, of course, that the pound here in Britain - in your pocket or purse or in your bank has been devalued." Prime Minister Harold Wilson, November 19 1967.

"We have had great losses in equipment, but our men have gained immeasurably in experience of warfare." War Minister Anthony Eden, commenting on the Dunkirk evacuation, June 2 1940.

Dead end job If you're feeling a bit slow after the weekend, Guy's Hospital in London has advertised for

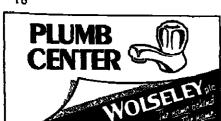
a "deceased records clerk".



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PHILIPS



FINANCIAL TIMES

Monday September 14 1992

EGOWIEInterleasina

Minister warns German stability is 'at risk' because of asylum seekers

Kinkel calls for aid on refugees

By Lionel Barber in Hatfield, England

MR KLAUS KINKEL, the German foreign minister, yesterday issued an urgent plea for help in dealing with the refugee crisis, warning that Germany's political stability was at risk because the flood of asylum-seekers from Yugoslavia and Eastern Europe.

Mr Kinkel said Germany was shouldering a disproportionate burden. Although he avoided calling for quotas on refugees, he urged EC countries for greater understanding. "This is the prin-cipal problem for Germany," he

Amid continuing riots in the former east Germany and attacks on refugee hostels, Mr Kinkel said Germany had so far taken in more than 220,000 asylum seekers from Bosnia · more than any

Democrats

majority in

win slim

Thai poll

By Victor Mallet in Bangkok

PARTIES opposed to military

interference in Thai politics

appeared to have won a slim par-

liamentary majority in yester-

day's general election in Thai-

land, four months after troops

killed at least 50 pro-democracy

With most of the votes counted, Mr Chuan Leekpai,

leader of the Democrat Party,

was preparing an attempt to form

a coalition government. His party won about 80 seats, the largest bloc in the 360-seat House of Rep-

With the support of three other

members of a loose pro-democracy alliance - the New Aspira-tion Party, Palang Dharma

(Moral Force) and Solidarity -

Mr Chuan is expected to form a

government with at least 185

One or more of the other par-

ties may be co-opted to

Chuan has promised to exclude

Businessmen and parliamen-

of agriculture, education, com-

from his cabinet.

uninspiring politician.

demonstrators in Bangkok.

resentatives.

other country apart from neigh-bouring Croatia. Millions more potential economic refugees were sitting on their suitcases in Eastern Europe, he said.

EC foreign ministers expressed sympathy, but avoided a commit-ment to spread the load by relaxing their own immigration controls. Instead, they agreed to speed up Community efforts to reach a common approach required because of the difference in laws. Germany's asylum laws are the most liberal in western

Mr Douglas Hurd, British foreign secretary, reminded minis-ters that the UK had faced an immigration crisis in the 1960s and 1970s. This had led to the rise of the National Front and "very considerable agitation commotion". Britain had subsequently dealt the problem, and we do

not wish it to return," he said at the end of the weekend meeting at Brockett Hall, Hertfordshire.

The EC is taking two-track approach to the immigration problem, starting with an emergency humanitarian effort in the new Yugoslavia aimed at assuring food supplies and helping the refugees to stay as close to their homes as possible. Improving the refugee camps in Bosnia and Croatia as the winter approaches is vital, said one EC official.

The second aim is to identify the scope of the problem which ranges from the threat of mass immigration from economicallydepressed Eastern Europe to the migration pressures from North

Another concern is the impending impact of the single European market which will provide for the free movement of EC citizens after the end of the year

This week, EC justice and interior ministers are to meet in Brussels for talks on the immigration issue. With racist pressures building up in France and Germany as a result of the increases in refugees, ministers agreed that immigration is becoming one of the most pressing issues facing the Community. Ministers agreed to improve the humanitarian aid effort to Somalia. Some 185,000 tonnes of food are being dispatched, as well as some Ecu50m (\$72m) of non-food aid. The European Commission is to send observers to Somalia to improve aid co-ordination. Mr Hurd is to hold talks with Mr Boutros Ghali, the UN Secretary General, to work out plans for a

Austria closes hostels, Page 2

political solution.

Pro-democracy leader Chamlong Srimuang is surrounded by journalists after voting

merce, justice and health. Mr Chuan, who heads Thailand's oldest party, won widespread support in the election because he opposed the military strengthen the coalition, but Mr during the demonstrations in May but attempted to resolve the conflict in parliament rather

than on the streets. Mr Chamlong Srimuang, the tary colleagues regard 54-year-old devout Buddhist known as Mr Mr Chuan as a responsible if Clean who heads Palang Dharma and led the street protests, lost He has won his seat in the support to the Democrats in his Democrat stronghold of Trang in Bangkok stronghold but made southern Thailand nine times in a row, and has served as minister gains elsewhere.

Politicians sympathetic to the military did well in rural areas,

and Chart Thai (Thai Nation) won about 72 seats, the second highest number, followed by about 60 for the Chart Pattana (National Development) party of the former prime minister. Mr Chatichai Choonbayan.

in spite of the strong showing of the pro-democracy parties yesterday, the campaign was marred by the widespread corruption and violence which have long been a feature of Thai elections.

At least seven canvassers were shot dead by political rivals on in March this year. Thousands of the eve of the poll, and wealthy politicians paid out what Pollwatch, the independent monitor-

ing agency, described as "a huge sum of money" to buy votes in the poorer rural areas.

"The number of complaints we received is about the same as last time." said Professor Kasem Suwanagul, Pollwatch chairman, 'but there seems to be more vio lence - shooting and so on - in certain provinces where there are influential candidates."

Thai politics have been shaken up since a group of pro-military parties won the previous election demonstrators protested in the streets of Bangkok in May against the military.

THE LEX COLUMN

Not such super stores

retailers. In part that reflects the power that the large supermarket groups wield. They have managed to maintain their margins by squeezing their suppliers hard, as the pain in the food manufacturing sector amply demonstrates. Good stock control and a tight grip on staff costs have also helped the giants - Sainsbury, Tesco and Safeway - preserve their position at the expense of smaller firms. But there are limits to that strategy. Excluding the effects of new stores and Sunday opening, sales volumes

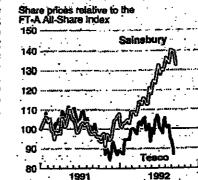
are disappointing.
Tesco, which reports interim figures next week, seems to be suffering more than Sainsbury, the market leader, or Safeway. This may partly be because it sells more goods vulnerable to price wars, such as petrol and children's clothing, and its customers may have suffered more in the recession. But in trying to control costs, Tesco has withdrawn expensive facilities such as bakeries from some stores, and that may out some high-spending customers off.

Given the enormous capital expenditure programme, and the rights issue which helped fund it, investors can be forgiven for wondering whether they will see an appropriate return. This is all the more so since its expensive developments are not depreciated and are of questionable value for alterna-tive uses. Much of that concern has been reflected in the market rating of Tesco this year. But with Sainsbury benefiting as Tesco falters, it may be right to stick with the market leader.

Electricity

If the mooted five-year deal to supply coal to the UK power generators is eventually signed, the electricity and coal industries will be free of a large measure of uncertainty. The electricity generators, National Power and owerGen, will have secured around a half of their requirements at attractive prices. And while the direct cost savings of the deal will be passed on to consumers, the generators will be able to buy more cheap coal from abroad. With the additional benefits of separate rationalisation programmes, profits should move ahead strongly over the next few years despite falling electricity sales

This might be taken to support the case for valuing the generators on their earnings prospects, rather than by the traditional yield measure used for regulated utilities. Given that annual earnings growth might be 5-10



per cent until 1997, and that the companies have dividend cover of over three times, an earnings multiple only 60 per cent of the market average looks much too low. However, the regulatory risk has not disappeared: the generators may yet be sucked into a war of attrition with the authorities like that which has befallen British

On that basis, a yield below the market average would leave the compa-nies looking vulnerable were it not for a dividend cover which allows scope for a generous increase in payouts. At the very least the generators should thus be able to regard their recent outperformance as a move to a new trading range.

The regional electricity companies should also benefit from the deal. Lower electricity prices will ease the regulatory pressure, but given their recent strong performance, the shares may have already discounted that. Poor British Coal can hardly share the optimism. The government seems to have decided that even a five-year deal which subsidised coal would not be enough to persuade the market to accept the company as it currently stands. So British Coal would be forced to face the harsh capacity reali-ties sooner rather than later.

Swiss Franc

It is by now almost axiomatic to blame at least part of the recent turmoil in currency markets on doubts over the ability of European curren-cies to keep up with the D-Mark. One currency which has done even better in recent months, however, is the Swiss franc. Its rise against the D-Mark of roughly 5 per cent since May is all the more remarkable in that Switzerland has also managed to

undercut German interest rates. These are normally considered a floor for other European countries whether members of the ERM or not. But three-month Eurofranc rates are a full 2 percentage points below their

D-Mark equivalent.

Doubtless it helps that, in contrast to Germany. Swiss money supply growth is now within reasonable bounds while inflation rates in the two countries are roughly level-pegging. But it would be rash to ascribe the franc's strength purely to the skills of the Swiss National Bank. Though hard to quantify, the Swiss currency once again seems to be playing something of a refuge role. It would be unlikely if Italy's economic crisis, which was moving to a head last night, had not provoked some revival of the tradi tional outflow of capital to its north

At a more general level, the franc's performance can be seen as the mirror image of other European currencies in the Maastricht debate over currency union. The franc would be vulnerable were monetary union to proceed h would be perceived as a small currency subject to speculative flows.

Conversely it has some attractions as a safe haven if the Maastricht exer cise fails and bond markets around Europe decide to ditch the conver gence theory on interest rates. Investors cannot put all their money in D-Marks. Japan and the US have draw backs of their own. It is probably no coincidence that the franc began to appreciate around the time of the Danish referendum. Whether that continues may now depend on next Sunday's vote in France as well as reactions to yesterday's realignment.

UK stock market

Markets thrive on rumour, not least in the so-called close season ahead of results when companies are not permitted to state their case. But according to the chief executive of one Footsie company last week some of the wilder stories of the last few weeks particularly in the food sector - have become a serious drain on management time and company morale. Traders are obviously desperate to drum up business - by any means - but it is also the case that the UK economy appeared to take another dip earlier in the summer just as boards were going into purdah. Investors should beware, but vicious tongues are merely one reflection of the market's inability to find an appropriate level.

Euphoria fades as peace talks resume

Mideast negotiators think the politicians have set their sights too high

By Roger Matthews, Middle East aging, but have to be seen Editor, in London

MIDDLE EAST negotiations should settle back into a more sober mood today after the public, long-distance diplomacy of the past week.

As the five teams representing Israel, Syria, the Palestinians, Jordan and Lebanon return to the State Department in Washington after a 10-day recess, they will be well aware that it will be impossible to maintain international expectations at the levels encouraged by some of their political masters in the past few

The underlying cause for celebration during the sixth round of negotiations which opened on August 23 has been the impact of the defeat of the Likud government in Israel in June.

The Labour victory transformed the atmosphere at the talks and opened a door that had been slammed shut on substantive issues involving a trade of land for peace as demanded by UN Resolutions 242 and 338.

At one level this has led Mr Yossi Gal, the Israeli spokesman, to refer, beamingly, to "our Palestinian friends" and to admit to no more than "slight frustration" after a fruitless day at the negotiating table. At a less visible level. it has led to the formal exchange of negotiating documents for the opened in Madrid last October. Both developments are encour-

World

Weather

against the sterility of the previous five rounds rather than as a peace guarantee of future progress.

Onlookers will increasingly have to be aware of at least three sets of negotiations and the extent to which public utterances are tailored for particular audi-First, there are the Washington

negotiations, next come the public statements designed to influence domestic and international public opinion, and third, and most important, are the direct discussions going on between government leaders such as the recent private dinner between President George Bush and King Hussein of Jordan. The past week has been dom-

inated by public statements, primarily by Israeli leaders in apparently euphoric mood about signs of Syrian flexibility over the issue of the Golan Heights. Syria's position from the outset

has been fairly clear and uncompromising. In response to the improved atmosphere, it is now more evident: return all of the Golan. every last square centimetre, and in return there can be the same sort of peace treaty that was signed between Egypt and Israel in 1979. Senior US officials do not doubt such a deal is possible, accompanied of course by extensive security guarantees.

The question in their minds is first time since the process less whether Syrian President Assad would sign on those terms but whether Mr Yitzhak Rabin,

Israel's prime minister, will go beyond his stated readiness for "territorial compromise" and can carry the majority of public opinion sufficiently to offset the backlash from settlers and his extreme right-wing opponents. His recent speeches extolling perceived changes in Syrian attitudes seemed to reflect that need as much as any real develop-ments in the Washington negotia-

Talking up the prospects of a deal with Syria has another useful purpose for Mr Rabin: it helps to unsettle the Palestinians, who never lose sight of the risk that Syria, like Egypt under President Sadat, could abandon them by

signing a separate deal. "Officially we want all the sets of negotiations to proceed roughly in step, but there's always a risk that one will suddenly accelerate. The Syrians and Palestinians watch each other like hawks", said a senior Arab

The problem is exacerbated because the Palestinian-Israeli talks are far more complex and do not address the final status of the territories occupied by Israel The purpose of the negotiations

is to agree only on a five-year interim self-governing authority for the West Bank and Gaza. After the first three years of that period negotiations will begin on the final status of the territories. that an elected self-governing gets really rough."

authority cannot be solely the administrative arm of an occupying army. It must, they say, have some legislative role and a start has to be made in checking the procedures through which Israel has seized more than 60 per cent of the territories and is in the process of completing another Jewish population to more than 150,000.

Israel refuses to contemplate any legislative function for the Palestinians, saying this would give them the taste of statehood. which is not on offer.

The first concrete step towards bridging that divide needs to be taken before the sixth round ends on September 24 if a negotiating momentum is to be achieved. It is likely to come through agreement by the two sides on an agenda, which, though in part a procedural document, also has

political substance.

The signing of the first ever agreed document by Israelis and Palestinians would, say the optimists, make subsequent deals that much easier. I am not an optimist," said an Arab diplomat who is close to the Washington negotiations. "I am not a pessimist. I am a fatalist. When you look around at everything that has happened in the world in the last few years it is obvious that these people have to make peace. Everyone else wants them to. It's their fate. And that's what we The Palestinians are adamant need to cling to when the going

GOVERNMENT OF INDIA

NOTICE INVITING BIDS FOR DEVELOPMENT OF OIL AND GAS FIELDS IN INDIA

The Government of India announces the offer of oil and gas fields in India for development by companies on the following

Bidding companies would participate alongwith ONGC/OIL in development of medium-sized fields under joint venture arrangements. In case of an incorporated joint venture, the bidding company (co-venturer) can hold upto 51% stake in the equity of the venture. Where the joint venture is unincorporated, in the nature of a production-sharing contract, the coturer would have an interest of 60%.

The fields on offer are-

☐ Mukta, Panna, R-series (R-7, R-7A, R-8, R-9, R-10 and R-13), D-1 and Mid & South Tapti in the Bombay basin;

□ Ravva in the Krishna-Godavari basin:

☐ The heavy oil discoveries in the Bikaner-Nagaur basin in Rajasthan;

Kharsang in Azunachal Pradesh:

☐ Bogapani-Samdang, Barbil-Diroi and Dipling in Assam; and ☐ The Digboi field in Assam for an Enhanced Oil Recovery scheme.

IL SMALL SIZED FIELDS

Small-sized fields would be developed by bidding companies under production-sharing contracts with the Government of India, with no participation by ONGC/OIL. The small-sized fields on offer are:

☐ B-178 & B-179, B-80, B-119 & B-121, B-192 and D-18 in the Bombay basin;

☐ G-1 and G-2 in the Krishna-Godavari basin;

☐ PH-9 and PY-1 in the Cauvery basin; ☐ AN-1 in the Andaman basin:

□ Wavel, Bakrol, Sabarmati, Lohar, Karjisan, Baola, Modhera, Asiol, Mahi High, Siswa, Matar, Bhandut, S. Malpur, Hazira, South Patan, Indrora, Dholka and Cambay in Gujarat;

☐ Tinali. Sarojani and Dholiya in Assam.

Companies may hid for one or more fields, singly or in association with other companies.

☐ Signature/production bonuses payable by companies

☐ All statutory levies, including royalty, cess, customs duties, etc. payable

☐ First right of refusal to Covernment of India in respect of purchase of crude oil and natural gas produced

☐ For ventures relating to medium-sized fields, preferential treatment to companies taking up exploration blocks under the round-the-year bidding scheme of the Government of India

☐ International market price for oil produced. AVAILABILITY OF INFORMATION

Brochures giving details of the fields offered as well as the broad terms for offer of such fields would be provided to companies. Information dockets and data packages giving detailed technical information on the fields offered can be obtained from ONGC/OIL.

Facilities for inspection of data have been arranged at New Delhi.

Companies interested in inspecting data, purchasing information dockets/data packages and obtaining further information may contact:

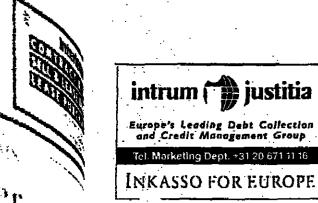
Mr. R.N. Desai, Head, EXCOM Group, Oil & Natural Gas Commission, 7th floor, Bank of Baroda Building Parliament Street, New Delhi-110 001, INDIA. Telephone: 3715291/3317205 Telex: 031-65184, 031-66262 Facsimile: 3316413

Bids should be submitted not later than 3.00 P.M. on Thursday, 31st December, 1992, in sealed envelopes marked "Confidential" - Development of Oil and Gas Fields" and addressed to:

Mr. Naresh Dayal, Joint Secretary (Exploration), Government of India Ministry of Petroleum & Natural Gas,

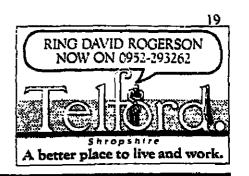
Room No. 211 - 'A' Wing, Shastri Bhavan, Dr. Rajendra Prasad Road, New Delhi-110 001, INDIA

Franklurt F
Geneva S
Gibrattar F
Glassgow F
Hetainiu F
Hong Kong F
Innsbruck F
Ioverness F
Islamsbul F
Islamsbul F
Jakarita C
Johannesburg S
Lobon S
Lobon S
Lobon S
Lobon R
Lob Angeles 1 C
Linambourg S
Madeira F
Madrid S Tenerite
Tokyo
Toronto †
Tunis
Valencia
Venico
Vienna
Warsser
Washington †
Zurich Temperatures at midday yosterday
1 Noon GMT temperatures
C - Cloudy D - Drizzle
F-Fair Fg-Fog H - Half
R - Rain S - Sunny
SI - Steet Sn - Snow
T - Trunder



FINANCIAL TIMES COMPANIES & MARKETS

Monday September 14 1992



INSIDE **Benetton family buys** 50% stake in TWR

Italy's Benetton family has bought a 50 per cent stake in the TWR Group, the UK motor racing, research and consulting company. Mr Alessandro Benetton, 28, and his father, Mr Luciano Benetton, will join TWR's board, TWR based in Chipping Norton in southern England, has around 700 employees and expects sales this year of around £170m. The company designs and develops prototype cars and is also active in motor sport and Formula One

Bonds set for volatile trading

Today's promised cut in German interest rates will kick off a week of volatile trading in European government bond markets in the run up the French referendum on the Maastricht treaty. German yields, which were already falling last week as investors switched out of higher yielding paper, could now be set to fall sharply. Page 22

Sansui still in the red

The latest results from Sansul Electric, the Japanese consumer electronics company and former Polly Peck subsidiary, were hit by what is expected to be the final big write-off in the company's post-Polly Peck corporate restructuring. Sansul is still in the red at the operating level. Page 21

Foodmark to buy Macfish

Foodmark, the Danish seafoods group, has agreed to buy Macrish, the Scottish fish processing venture jointly owned by Geest and Associated Fisheries. The Danish group has agreed to pay Geest £9.2m and Associated Flaheries £9.16m. Page 20

All ears on Bush

The approaching US presidential election, and the increasingly heated campaigning, now give an added twist to each set of dismal statistics which falls to indicate any meaningful recovery in the US. So the bond market was all ears when President George Bush spoke to the Detroit Economic Club last Thursday. Page 22

Market Statistics

FT/ISMA Int bond svc

29 London share service Money markets New Int bond Tagues World stock nukt Indices

Companies in this issue

21 Sansul Electric 19 Sears, Roebuck 21 Skoda 19 TWR Group

Banks meet on Jubilee Line extension

By Robert Peston in London

BANKS meeting in Toronto today may decide the fate of the Jubilee Line extension to London's docklands and whether a move to acquire Canary Wharf organised by Mr Paul Reich-mann, founder of the financially troubled property development,

The 11 commercial bank lend-

how any Jubilee contribution

ing sector falling under its con-

where the whole banking system seems to have severe problems. If

we don't take precautions, we

might end up with all the banks being state-owned" says Mr Urban Bäckström, deputy to the Swedish minister of taxation and

For Sweden's centre-right gov-

ernment, committed to the priva-

tisation of state-controlled com-

panies, the last thing it wants is

to nationalise banks. Yet two of

Sweden's banks – Nordbanken

(the second largest commercial

bank) and Första Sparbanken

1992 are likely to reach SKr8b

now find a solution to Gota's

problems, which will not be made

easier by last week's turbulence in the Nordic financial markets.

The Bank of Finland's decision to cut the markka's link to the Ecu

prompted a big outflow of capital

from the region. Sweden's central

financial markets.

join the casualties.

"We have reached a point

should be made by that deadline.

Another banker said he did not believe the government was extension. One banker described this lack of progress as "a shambles". However, an investment contribute to the Jubilee Line. "serious" about the deadline. However a government official

Control of Canary Wharf passed to administrators, under UK insolvency legislation, at the To date, neither the banks, nor

development or fund the Jubilee

consortium formed by Mr Paul Reichmann - whose company,

mann, because they blame him for the huge losses they face on loans to O&Y projects. One Euro-pean bank said it was implacably The investment consortium.

whose members include Mr Larry Tisch, the media billionaire, Mr Sandy Weill, the financier, and Mr Lewis Ranieri, the investment banker, proposes to lend between The precise amount they lend

ings to Texaco, the oil company, and Morgan Stanley, the investment bank. The consortium believes these sales would reduce the project's long-term value. An unfavourable deal on letting office space to the UK gov-ernment would reduce by £65m

the amount to be lent. Though Mr Reichmann will not provide any of the consortium's capital, he would benefit if their bid were to succeed. The consor-tium would get 60 per cent of the

equity in phases 1 and 2a of Canary Wharf's development and 40 per cent of later phases.

However, Mr Reichmann is insisting on getting a 60 per cent equity interest in later phases and 20 per cent of the early phases - leaving the banks with an interest of just 20 per cent of phases 1 and 2a. All the banks reject the consor-

tium's proposal that it should be repaid in full before the banks receive any principal or interest. They also want a higher interest rate than the 5 per cent proposed by the consortium.

The consortium however believes that under its proposal banks would eventually be repaid between 82 per cent and 100 per cent of their loans.

Gota Bank

Götabanken

to Apr 30, 1991

(477)

(1,235)

to Apr 30, 1992

(491)

(167)

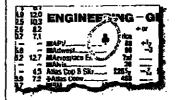
74,209 78,065

(1,970) (1,745)

237,000 246,000

(3,208)

Free annual report service



THE FINANCIAL TIMES bas launched a new service for private investors who would like to receive the annual reports of listed companies.

Readers wanting companies' annual or interim report can now use a single telephone number to obtain them, free.

The key to the new service is the London Share Service pages of the FT, the last two inside pages of the second

Here's how the service works:

1. Look up the company name. Companies are arranged by industry sector.

Those companies for which the service is available are marked with an ace-of-clubs symbol after the company name At the moment, 130 listed companies have agreed to join the service. Companies which have already joined include Bank of Scotland, Hanson, National Power, Smithkline Beecham and Unilever.

Turn to the bottom right-hand corner of the London Share

In a box headed Free Annual Report Service you'll find the telephone number for the service and a code you must quote to make use of it.

Call the service, give the code, and ask for reports for the companies in which you are interested (only one report per company, please).

The lines are open between 9am and 5.30pm on weekdays but there is an answering service at other times. Reports will be sent the next

working day, depending on

4. Remember that annual reports only become available a few weeks after the publication of the company's preliminary

. There is no charge for using The telephone call is charged at normal rates.

will depend on two factors: said over the weekend that there was no possibility of the Jubilee Line extension being built with-• They will provide 250m less if Olympia & York, created Canary Wharf - has made the only holds of two Canary Wharf build-

OTHE FINANCIAL TIMES LIMITED 1992

ers to Canary Wharf have been told by the UK government they must submit proposals for a pricost of the Jubilee Line by the end of September. A hanker who will attend the

meeting said there was "no chance" of the banks agreeing on

out a proposal from the banks on a payment by the time next year's public spending is decided. end of May.

the administrators, who are three partners of Ernst & Young, the accountancy firm, have come up with detailed plans to complete the huge east London property

detailed takeover proposal to be received by the banks. Some banks are opposed to any proposal linked to Mr Reich-

Sara Webb analyses problems facing the centre-right government over the troubled banking sector

(594)

(2,500) (1,587)

306,518 315,353

752

Sweden's banks **Big four Swedish banks** S E Banken Nordbanken face a legacy Handelsbanken from the 1980s ith two banks already rescued and a direction bank increased its marginal lending rate from 16 per cent to 24 per Krona million serious difficulties, the cent and then to 75 per cent in an to Apr 30, 1902 Swedish government is now working to avoid the entire bankto Apr 30, 1991 to Apr 30, 1992 effort to reverse a currency out-

Pre-tax profit (loss) Loan loss provision Total loans

Net non-performing :

icans (60 days)

[by the high interest rates] and are taking a blow" admitted Mr Bengt Dennis, governor of the Riksbank, Sweden's central bank, last week. Mr Lars Jagren, an economist at the Federation of Swedish Industries, warned that if interest rates remain high, the consequences would include weak demand for loans, an increase in the number of bankruptcies, and a further fall in property prices - all of which would be bad news for the banks. On Friday, Moody's, the inter-

Swedish short-term interest

rates shot up: if they remain high

the effect on the economy and

"The banks are being squeez

the banks could be serious.

(one of the large savings banks) - have had to be rescued by the national credit rating agency, placed the long-term debt ratings of Nordbanken, Skandinaviska state. Now a third looks set to Last week, the Swedish govern-Enskilda Banken (the biggest ment was forced to pledge its Swedish bank), Svenska Handelssupport for Gota Bank, the fourth banken (the third largest bank), largest commercial bank, after it and Swedbank (the new savings emerged that credit losses for bank group) under review for (\$1.51bn) or double Gota's previ-The banking sector's troubles

can be traced back to the end of The Finance Ministry must 1985 when controls on bank lending were lifted. Mr Sten Westerberg, of financial advisers Westerberg & Co, points out that tax rules encouraging people to borrow (by making interest pay-ments tax deductible) were retained, as were restrictions on investing abroad.

Source: IBCA As a result. Swedes borrowed heavily and channelled the money into the domestic stock and property markets. Property and share prices soured in the second half of the 1980s.

Banks scrambled for new customers, and paid scant heed to analysing their credit-worthiness. Mr Sahlen believes there were important differences in behaviour between the various banks. Before deregulation, Gota, Nordbanken and Första Sparbanken had concentrated on the housetrols were lifted, they concentrated on boosting corporate business and chased after new customers, particularly in the property sector.

Today, about 60 per cent of the banking sector's loans are related to property. Mr Sahlen claims that these three banks have a proportionately greater exposure to troubled property and have a save Gota.

higher proportion of non-performing loans in relation to their total lending than the other Swedish banks.

664 1,023

(1,559) (1,063)

286,844 270,819

10,074

By contrast, Mr Sahlen says, Skandinaviska Enskilda Banken and Svenska Handelsbanken both had a long tradition of lending to Swedish industry. Many of their corporate customers belong to "spheres" of interlinked cus-tomers, which the banks know well. As a result neither of these banks was as aggressive in the pursuit of new corporate busi-

he government has promised to meet all of Gota Bank's obligations to other banks, corporate and individual customers. Over the next few weeks, Ministry of Finance officials will discuss with Gota and its owner, the Trygg Hansa insurance group, how best to

ing system. "The banks are suffering from temporary large credit losses" says Mr Backström. By the end of 1991, credit losses for the banking sector reached about SKr45bn: Mr Bäckström warns that additional credit losses over the next few years could amount to between SKr50bn and SKr90bn. His department is studying

The government is also draw-

ing up a rescue plan for the bank-

ways of alleviating the burden, either by providing insurance to the Danks inst credit loss allowing the state to take on the bad debts, provided the banks pay the state back over a period of years.

"We have to maintain the stability of the system" sighs Mr Bäckström. At the end of the day, he admits, it is the taxpayers and customers who will foot the bill for the banks' mistakes in the

Olympia & York Renault What looked like a perfectly

horrible week for Mr Norman Lamont, the UK Chancellor, has suddenly become more Having failed so far to pro-

duce economic recovery at home, he was due to head for Washington later this week with the seemingly impossible goal of resuscitating economic policy coordination among the leading industrial democracies. Before yesterday's ERM realignment - and the even more striking announcement

of an imminent cut in German end's meeting risked achieving a hollow victory. One similar, in fact, to that attained at the informal meeting of European Community finance ministers and central bank governors a week ago in Bath. If anything, the four point statement agreed in Bath to

stand by existing parities in the European Monetary System exacerbated tensions in the system once the perception grew that the German Bundes oank was less than wholehearted in its support.

Without yesterday's announcement, Mr Lamont would have had to face the problem of arriving in Washington as chairman of the EC finance ministers' council, to represent a continent with its monetary policies in disarray. The meeting would be one at which neither the US nor Japan, the other two main players, would want to commit hemselves to policy change.

The biggest problem bedevilling world monetary relations has been the large 6.75 per cent differential between official US and German short-term interest rates. The US, with a presidential election less than two months away, has shown no signs of wishing to abandon the flexibility that has allowed it to push its discount rate to a 29-year low of 3 per cent in a bid to stimulate its economy. In Bath, Mr Helmut Schles-

inger, the Bundesbank president, offered no hope of an

Why realignment should not block **EMS** reform

immediate cut in German rates. Over the past week, it appeared that Mr Schlesinger was extremely displeased at the way the chancellor appeared to hype the Bundesbank's Bath promise not to increase its interest rates "in present circumstances" into a victory for UK monetary diplo-

That laft Mr Lamont preparing to deliver a gloomy mes-sage at the G7: the increasingly bleak outlook for economic

tions that preceded the launch of the EMS in March 1979 were specifically intended to prevent it becoming a D-Mark zone. After the last big realignment of EMS currencies in 1987, new rules - the so called Basie-Nyduced to ensure that countries with virtuous economic policies (which at the time me Germany) were not penalised in periods when the system was under strain in financial

Economics Notebook By Peter Norman

activity in the western world: the problems caused by inappropriate mixes of fiscal and monetary policy in both the US and Germany; and the hazards lurking behind the dollar's

recent sharp fall. Yesterday's surprise move may ease currency market tensions in the short run, and will certainly restore his battered confidence. But he will have to admit, if only to himself, that his main problems lie not with the G7 but - still - with the EMS, on which the UK government has staked Britain's eco-

nomic future. Measured against the terms of its prospectus, the EMS has performed abysmally recently. it was conceived in the summer of 1978 to create "a zone of monetary stability in Europe". One of the main reasons for its creation was a desire to protect Europe's economy from a weak dollar. The detailed negotia-

Inevitably some of these goals have been altered or fudged over time. In particular. the worry about D-Mark dominance gave way to an acceptance that the D-Mark, as the most stable of Europe's currencles, should be the "anchor" of

the system. But now that the strains of German unification have been grafted on to the EMS structure as it emerged from the Basie-Nyborg discussions, the EMS has failed to deliver the promises in its prospectus. The recent exchange market

turbulence and pressure on interest rates shows how it has been unable to act as a zone of monetary stability in Europe. It has not protected Europe from dollar weakness. The dominance of the D-Mark has been as strong as ever - a factor emphasised by last night's developments. Yet because the D-Mark has been

unable to provide the low inflation standard that the system needs, countries with virtuous economic performances such as France, Denmark and Ireland, have been penalised.

This latter phenomenon made the latest EMS crisis so different from previous epi-sodes of strain in the ERM and in its 1970s forerunner the European currency "snake". In the past countries have also been forced to devalue,

push interest rates to usurious levels and - in the case of the snake - quit the system. Disruptive though these episodes were, it could always be argued that the root causes of the problems lay with the countries in trouble. That was case with Italy. Until last night, the only penalty paid by Germany, in spite of its inflationary pressures, huge budget deficits and growing political and social weakness, had been a substantial increase in its foreign currency reserves through the forced purchase of Italian lire at the lower EMS

intervention point. Admittedly, recent EMS oblems are not wholly the fault of Europe's monetary policymakers or the Bundes-

Financial markets have a lot to answer for. In a world where information travels at the speed of light, understanding seems still to spread at the speed of sail.

The D-Mark's strength takes account of past glories and the fact that it has never been devalued, rather than Germany's problems now. Ministers are likely to por-

tray last night's developments as a huge achievement. But although the EMS now looks better placed to survive next Sunday's French referendum on the Maastricht Treaty, it remains at risk.

Mr Lamont, as president of the EC finance ministers' council. could do worse than order a thorough study of how it can he restored to a zone of monetary stability.

British Gas interested in **Argentine** state sell-off

By Nell Buckley in London

BRITISH Gas is preparing to launch a move - thought to be worth 250m (\$100m) - for stakes in Argentina's gas transmission and distribution companies when Gas del

Estado, the state gas company, is privatised later this year. The company is interested in stakes in two newly-created transmission companies and eight regional distribution companies. Final bids are due on November 18, with stakes likely to be awarded soon

The \$2.7bn sale of Gas del Estado is one of Argentina's largest privatisations. Gas del Estado has has a 6,500-mile main transmission

network - which is to be split into two companies covering the north and south of the country - and 30,000 miles of distribution pipeline, to be split into eight regional com-panies. It has 4m customers, and total sales of 600bn cubic British Gas already has two

exploration licences and interests in four of Argentina's producing oil and gas fields. British Gas is keen to boos profits from its Global Gas business to offset the effect of falling earnings from its UK supply business, where regulators are forcing price cuts and accelerating competition. It already has gas distribution projects in Turkey, Egypt and Indonesia, and last year took a 5 per cent stake in Verbundnetz Gas, the former east German gas transmission company, and stakes in two German regional gas distribu-

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COMPANIES AND FINANCE

Bank of Edinburgh to bid for building society

By David Barchard

MEMBERS of Heart of England, the 25th largest building society with assets of £1.1bn, may be offered a combination of cash and shares to endorse the takeover of the society by the Bank of Edin-

News of the proposed takeover, which involves Heart of England shedding mutual status and becoming a division of Bank of Edinburgh, emerged at the weekend after 15 months of negotiations.

The move is the first-ever takeover of a British building society from outside the industry and will create a precedent for further takeovers. At least three other societies are known to have been in talks with possible purchasers.

Mr Mike Travis, Heart of England chief executive, said yesterday: "We believe the route we are taking will enable us to serve our members better and give us more flexibility, particularly for raising capital and funding, than staying mutual would do. We have considered mergers and flotations but we are not big enough for

He said that the society had received other informal approaches for takeovers, but the board had judged that Bank of Edinburgh offered the best opportunity.

The bank was set up two years ago with £26m in capital from investors headed by a Scottish mutual life assurance group. Its aim is to take over small or medium-sized building societies but to allow them to continue as separate retail banking subsidiaries.

Heart of England fits neatly into this pattern. It has a network of 50 branches and a customer base of 250,000. Last year it made pre-tax profits of £2.1m after bad debt provisions of

Mr Ken Murray, chief executive of Bank of Edinburgh, said that the takeover would enable the society to offer its customers more services, including, probably, a high interest cheque book current account. He declined to comment on how Bank of Edinburgh provoting requirements for a building society takeover laid down in the 1986 Building Societies Act.

Heart of England's 206,000 members will have to approve the deal at a special general meeting at which at least half the society's members must vote and three quarters of votes cast must be in favour.

"We are confident that we will get the approval of Heart of England members," said Mr Ken Murray, chief executive of Bank of Edinburgh yesterday. He expected the vote to take place early in the new year. News of the negotiations leaked out before Bank of Edinburgh had finalied the terms it will offer Heart of England members, but Mr Murray said that shares in the company could be offered as

well as cash. A cash distribution by the bank of even £150 to each member of the society seems unlikely unless the bank's investors are willing to put up a substantial amount of new

> investments. Geest and Associated Fisheries expect the deal and a further sale of £2m of Macfish assets to cover the estimated value of their original investments in the Scottish com-

to acquire

Macfish for

company, based in Fraser-

burgh and Wearside. Associ-

ated Fisheries announced a

similar plan in April following

Macfish's mounting losses

which last year exceeded

The Danish group has

agreed to pay Geest £9.2m and Associated Fisheries £9.16m

for the business, stock and

business.

fixed assets of the frozen fish

Geest said funds raised by

the sale would be reinvested in

its core fresh produce busi-ness, while Associated Fish-

eries said it planned to use the

money to reduce short-term

borrowings and finance future

£800,000 on a turnover of

Geest said yesterday that over-capacity in fish process-ing and inadequate supplies of fish, which had pushed prices up and demand down, led to the decision to seil.

Foodmark, like Macfish, is already a large own label supplier to groups including Marks and Spencer.

Danish group Japanese parent injects £65m of new funds into Guinness Mahon

about £18m By Andrew Jack

GUINNESS MAHON, the merchant bank which is FOODMARK A/S, the Danish wholly owned by the Bank of seafoods group, has agreed to pay more than £18m for Mac-Yokohama, has received a new injection of £65m from its Japafish, the Scottish fish processnese parent as part of a restructuring of its operations. ing venture jointly owned by Geest and Associated Fish-Much of the money will support a new subsidiary called The sale follows Geest's deci-Guinness Mahon Loan Recovsion in March to seek a buver eries, which will hold provifor its 50 per cent stake in the sions against loan losses and a

> Mr David Potter, chief executive of Guinness Mahon, yes-terday denied that a crisis had

caused the new funding, which brings total injections by Bank of Yokohama to nearly £200m since it first bought a stake in

the company in 1989. He said that the money which was approved at a quarterly board meeting last Tuesday - was part of a financing package agreed 15 months ago and had been conditional on the management meeting a series of targets to restructure

its operations.
"There is no crisis," he said. contingency fund to cover "This was part of a long and future losses totalling nearly carefully planned process and was nothing sudden." He stressed that Guinness Mahon's credit rating had been

recently upgraded, and that new, high quality executives had joined the company recently.

But he admitted that the provisions against bad loans - all of which were the responsibility of Guinness Mahon & Company, the merchant banking subsidiary - had been increased in the past few

Guinness Mahon suffered from a series of poor loans in leasing, property and general commercial areas made during the 1980s. Last year it lost its listing on the Stock Exchange when Yokohama pushed up its shareholding to 100 per cent.

pre-tax losses were £35.5m in the six months to March 31 1991, including bad debt provi-sions of £30m. Mr Potter said that in the following nine months losses were about

 $\Sigma 20m$. Part of the new funding has been earmarked for future development, particularly in the asset management and stockbroking businesses. A senior executive also said that Guinness Mahon's contract with Mr Geoffrey Bell, its chairman for the past four years, is unlikely to be renewed when it expires early

Sabena plans to cut 1,000 more jobs

By Andrew Hill in Brussels

SABENA, Belgium's state-owned airline, is plan-ning to cut a further 1,000 jobs on top of the 2,200 redundancies already planned as part of its two-year restructuring pro-

Some 37.6 per cent of the airline is now owned by Air France, the French state air-

The European Commission announced last week that its merger control authorities would examine the Air France deal over the next month.

If they still have "serious doubts" about the effect of the deal on competition in the EC after four weeks they could open an in-depth inquiry lasting up to four months.

Sabena-Air France is only the second airline deal to be examined under the EC's twoyear-old merger regulation. In the only other case - the

sale of Pan Am's assets to Delta Air Lines - the commission gave the go-ahead after the one-month preliminary

Announcing a new frequent flyer programme recently, Mr Pierre Godfroid, Sabena's chairman, said he expected the airline to break even by the end of the year, despite the group's operating loss of BFr300m in the first half of

Berkertex receivers sell Fifth Avenue to managers

By John Thornhili

THE RECEIVERS at Berkertex Group, the bridalwear manufacturer and retailer, have moved quickly to secure the sale of one of its largest subsidiaries, Fifth Avenue, a leading supplier to the fashion mail

order catalogue trade. Mr Paul Fabian and Mr Brian Worth, two of the company's managers, are staging a buy-out preserving 31 jobs. This move is backed by 3i, the venture capital group, and Bar-

The purchase price was not disclosed but it "substantially exceeded the company's break-up value", the receivers

Mr Christopher Morris, the receiver from Touche Ross, said Fifth Avenue was profitable but had been dragged down by the collapse last Friday of its heavily-indebted parent company. Last year Fifth Avenue's sales wereover £13m and in the current year are

running at more than £9m. Receivers have been criticised recently for selling businesses to existing managers before the assets recoverable for creditors can be fully

But Mr Morris defended a quick sale in this particular case. "This was an evaporating business. By Monday or Tuesday of next week there would have been nothing left to sell."

Isosceles duo resurface at CSI

By John Thornhill

MR DAVID Smith and Ms Elizabeth Hignell, the accounting duo who masterminded the Isosceles bid for the Gateway were ousted last September, have resurfaced in corporate life at Cannon Street Investments, the struggling industrial holding company.

The two join Mr Robin

ing to restore the loss-making company's straitened balance

In doing so they return a favour to Mr Binks who played a pivotal role in securing the sition while at Warburg. Both Mr Smith and Ms Hig-

nell can perhaps afford to chance their arm at the troubled CSI. Isosceles, which Binks, Cannon Street's chief last week, revealed that it had executive and former merchant paid the two former directors banker at SG Warburg, in try-

EIT seeks £1.9m and |TVS shows interest agrees 2 purchases

the USM-quoted information technology group formerly known as Maxiprint, is to raise £1.9m via a rights issue and is acquiring Second City Systems, one of the largest Apple computer dealers in

the UK. The rights issue is on a 2-for-5 basis underwritten at 17p. The proceeds will company and reduce group

borrowings. Seven warrants will be issued for every 10 rights shares taken up.

Each warrant will carry the right to subscribe for one new ordinary share at 17p, exercisable between January 1 1993 and December 31 1993. Full subscription would raise an additional £1.5m.

Second City is to be acquired for a maximum of £650,000, satisfied by the issue of new EIT

ordinary shares.
Of the total consideration £400,000 will be paid on completion, with the balance – up to a maximum of £250,000 – dependent upon profits for the year to April 30

EIT has also reached agreement in principle to acquire, for no initial cost, the UK maintenance and support contracts of Sequence Support Systems International, a US supplier of network and sup-

port systems.

In addition, the group proposes to sell its 70 per cent interest in Decisionaire Systems to its management for £200,000 cash.

in TV arm of Carlton

By Raymond Snoddy

TVS Entertainment has expressed an interest in Zenith, the independent television production company controlled by Carlton Communica-

TVS, which lost its south of England franchise in last year's competitive tenders, is in the midst of deciding what its role should be when its franchise runs out in December. One option is to buy a number of stakes in production and facilities companies, another is to sell all its assets. fronically the 1990 Broadcasting Act which brought TVS to its knees is also the reason

why a large stake in Zenith is Under the Act, broadcasters

can own no more than 15 per cent of an independent production company if it is to retain its independent status. The siatus is commercially important because all of Britain's broadcasters have to commission at least 25 per cent of their output from independent producers.

Correction

British Aerospace

British Aerospace sold its 50 per cent stake in Starbird Satellite Services to World Wide Television News on July 30 last year. Due to incorrect information supplied on behalf of the company, Starbird was reported as being part of BAe in a Financial Times report on September 10.

			ROSS BO	RDER M&A DEAL
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Internationale Nederlanden Group (Holland)	Banque Bruxelles Lambert (Belgium)	Banking	£1bn	Staged purchase plans
Bacardi (Bermuda)	Martini & Rossi (Italy)	Drinks	£750m	Significant investment confirmed
Gillette (US)	Parker Pen (UK)	Quality pens	£285m	Gillette doubling market share
Cimentos de Portugal (Portugal)	Corporacion Noroeste (Spain)	Cement	£133m	Spanish government approves
Hillsdown Holdings (UK)	Units of Beledin (Holland)	Chilled Foods	£50m	European base in sector
Cody Resources (US)	Unit of LASMO (UK)	Oil & gas	£42.5m	Completes US upstream sales
Investec (S Africa)	Allied Trust Bank (UK)	Banking	£25m	Investec gets UK presence
Automated Security (UK)	Sonitrol Corp (US)	Alarm verification	£21,1m	US targeted for growth
Fort Howard (US)	Stuart Edgar (UK)	Tissues	£13m	MetaSeria sale
Unimin (US)	Elkem Nefelin (Norway)	Mineral processing	£30m	Disposal nears completion

Big deals in restructuring industries dominated last week's

In banking, the news from Holland that Internationale Nederlanden Group (ING) was prepared to launch a bid for Banque Bruxelles Lambert (BBL) came after months of arguments between BBL's institutional shareholders about future alliances. ING will not, however, launch a formal bid until it has had a close look at the books, and unless it can buy a 6.72 per cent stake held by Italian investors and can win more than 51 per cent. The fact that it will offer minority shareholders the same price as it plans to pay for the Italian stake is being seen as an encouraging continuation of a fragile trend towards the equal treatment of shareholders in continental Europe. The restructuring of the international drinks industry

continues with Bercadi-based rum specialist Bacardi agreeing to buy a large stake in Italy's Martini & Rossi. The foreign takeover of Spain's cement industry looks a step nearer after Cimentos de Portugal won Spanish government approval to bid for Galicia's Corporacion Noroeste.

successfully comes with US tolletries group Gillette's purchase of Parker Pen. If profit-related payments and the value of debt being assumed is included in the equation, the deal is worth £340m, more than six times the value of the 1985 buyout. Independent UK oil company LASMO completed the disposal of its US upstream assets, while South Africa's invested Bank gained a presence in the UK with its purchase of Allied Trust Bank from Barclays.

RANKS HOVIS McDOUGALL PLC

4¾ per cent. Convertible Bonds due 2003 Notice of Bondholders' optional redemption

In the holders ("the Bondholders") of Ranks Hoyls McDougall PLC ("RHM") 444 per cent. Convertible

Notice is hereby given, in accordance with Condition 5(c) of the Bonds, that RHM will, at the outlon of any Bendholder ("the Option"), redeem such Bond on 9th January. 1993 at 130.7 per cent. of its nominal value, comprising 100 per cent, as to repayment of the principal amount and a payment by way of supplementary interest on the Bond equal to 30.7 per cent, of the principal amount thereof.

The Bonds are currently convertible into fully-paid registered RHM ordinary shares at a rate of one RHM ordinary share for every 350p nominal value of the Bonds. As at 10th September, 1992, the latest practicable dute before the publication of this notice, the aggregate principal amount of the Bonds outstanding was £358 million and RHM's share price was 110p (being the middle market quotation of RHM ordinary shares as derived from the London Stock Exchange Daily Official List for 10th September, 1992).

To exercise the Option, Bondholders must deposit the Bonds (with all coupons maturing after 9th January, 1993 ("the Unmatured Coupons") attached) with any of the Paying and Conversion Agents ("the PCAS") listed below on or between 10th November, 1992 and 25th November, 1992, accompanied by a written postice exercising the Option in the form obtainable from any of the PCAs. Any Bond(s) so deposited may not be withdrawn nor may the conversion right attaching thereto be exercised without

To the extent a floudholder does not deposit any of the Unmatured Coupons, the Bondholder must pay an amount equal to the face value of any such coupon(s), which amount will be repaid against surrender of the relevant missing Unmatured Coupon(s) at any time before whichever is the later of (a) the expiry of 12 years from the relevant date (as defined in Condition 7 of the Bonds) and (b) the expiry of b years next following the interest payment date specified on the face of the relevant Unmatured Coupon(s).

Prometres of principal and supplementary interest in respect of the Bonds shall be made against deposit of the Bonds together with all Unmatured Coupons appertaining thereto (or, to the extent that any Unmatured Coupon(s) is are missing, a cash deposit in respect of such missing coupon(s) as described above! Payments of Interest (not being supplementary interest) due on 9th January, 1993 in respect of the Bonds shall be made against surrender of the coupon maturing on 9th January, 1993. In accordance

with Condition 6 of the Bonds, such payments shall be made, at the earliest, on 11th January, 1993. Payments of principal, interest and supplementary interest will be made at the specified office of any of the PCAs fisted below by sterling cheque drawn on or, at the option of the Bondholder (or, where appropriate, the holder(s) of the coupon maturing on 9th January, 1993 only), by transfer to a sterling account maintained by the payer with a Town Clearing branch of a bank in London, subject in all cases to any fiscal or other laws and regulations applicable thereto.

Principal Paying and Conversion Agent The Chase Manhattan Bank N.A. Woolgate House Coleman Street London EC2P 2HD

Paying and Conversion Agents

Banque Bruxelles Lambert Avenue Maraix 24 B-1050 Brussels

Chase Manhattan Bank Luxembourg S.A. 5 Rue Plactis L-2338 Luxembourg

Chase Manhattan Bank (Suisse) S.A. 63 rue du Rhone CH-1204 Geneva 14th September, 1992

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Pade Production 17.70 Page 17.70

Internationale Nederlanden Bank N.V US\$200,000,000

Subordinated collared

floating rate Notes

due 2002 Notice is hereby given that for the interest period 11 September, 1992 to 11 March, 1993 the notes will carry an Interest Rate of 5.125% per annum. Interest payable on 11 March, 1993 will amount to US\$ 257.67 per US\$10.000 note and US\$6,441.84 per US\$250,000

Agent: Morgan Guaranty Trust Company **JPMorgan**

Ferrovie dello Stato LIT 500,000,000,000 Floating Rate Notes due 2002 LIT 700,000,000,000 Floating Rate Notes due 2003 2 tranches

For the period from September 14, 1992 to March 15, 1993 the Notes will carry an interest rate of 17,675% per annum with an interest amount of LIT 446,784,72 per LIT 5,000,000 and of LIT 4,467,847,22 per LIT 50,000,000 and of LIT 4,467,847,22 per LIT 50,000,000. The relevant interest payment date will be March 15, 1993.

Agrat Bank:
Banque Paribas Luxembor
Société Anonyme

US \$205,000,000 Kidder Peabody Mortgage Finance Ltd. Guaranteed Secured Floating Rate Notes due 1997

For the period from September 14, 1992 to December 14, 1992 the Notes will carry an Interest rate of 3.51875% per arruum with an interest amount of US 5995.30 per US 5100.000 principal amount of Notes Catalance of December 14, 1999.

Agent Bank; Bank of America NT & SA London



(Incorporated in the Kingdom of Nortony with limited liability) (Incorporated in the Katgdom of Nortray with limited liability)

U.S.\$250,000,000

Floating Rate Subordinated Notes Due 2001

Notice is hereby given that the Rate of Interest has been fixed at 3.1875% and that the interest payable on the relevant Interest Payment Date March 15, 1993 against Coupon No. 13 in respect of US\$10,000 nominal of the Notes will be US\$161.15 and in respect of US\$250,000 nominal of the Notes will be US\$4,028.75.

September 14, 1992, London

By: Citibank, N.A. (Issuer Services), Agent Bank CTTBANG



The Chase Manhattan Corporation U.S. \$400,000,000

Floating Rate Subordinated Notes due 2009 For the three months IIth September, 1992 to IIth December, 1992 the Notes will carry an interest rate of 5%% per annum with a coupon amount of U.S. \$132.71 per U.S. \$10,000 Notes, payable on 11th December, 1992. Bankers Trust

Bankers 1100. Company, London

Agent Bank

Citizens Federal Savings and Loan Association

U.S. \$100,000,000 Collateralized Floating Rate Notes due 1996

For the six months 11th September, 1992 to 11th March, 1993, the News will carry an interest rate of 5% per annum and an interest amount of U.S. \$628.47 per U.S. \$25,000 Note.

Bankers Trust Company, London

Bank of Greece Athens, Greece U.S. \$250,000,000 Floating Rates Notes due 1999

For the six months 11th September, 1992 to 11th March, 1993, the Notes will carry an interest rate of 3.50% per annum with a coupon amount of U.S. \$175.97 per U.S. \$10,000 Note, payable on Lith March, 1993.

Bankers Trust Company, London

Ageut Bank

Agent Bank

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Benetton takes 50% stake in TWR

ITALY'S fast-diversifying Benetton family has shifted into a new area of activity with the purchase of a 50 per cent stake in the TWR Group, the UK motor racing, research and consulting company run by Mr Tom Walkinshaw.

No price for the deal has been disclosed. However, a spokesman for Edizione Holding, the Benetton's family holding company which is making the investment, said its involvement would "alter TWR's debt-equity ratio, thereby ensuring a £60m (\$114.6m) bank loan destined for new projects. TWR, based in Chipping Nor-

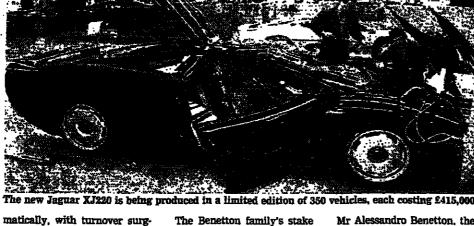
ton. Oxfordshire, has around 700 employees and expects sales this year of around £170m. The company designs and develops prototype cars and is also active in motor sport and Formula One racing. Among the best known of its current projects is the new Jaguar XJ220 super-car, which is being produced in a limited edition of 350 vehicles costing £415.000 each.

The group has grown dra-

tracts for Ford, Mazda, Rover and Holden, General Motors' Australian subsidiary, as well as a joint venture with Aston Martin, which has entrusted TWR to develop a new model for 1994. The company is also working on an advanced elec-

ing by 819 per cent in the past six years. Among new projects

on its drawing board are con-



The Benetton family's stake is to be held by 21 Investimenti. a new subsidiary of Edizione Holding set up last year to spearhead investments in new activities. Apart from controlling the family's stake of around 80 per cent in the Benetton clothing concern, Edizione Holding has expanded into sports goods equipment, with a string of takeovers of famous brands and property.

Mr Alessandro Benetton, the 28-year-old second son of Benetton's guiding light, Mr Luciano Benetton, will join TWR's board. The two men bave already established contacts through Benetton's activities in Formula One motor racing, which are under Mr Alessandro Benetton's control. Earlier this month, he also loined the board of Edizione

France urges closer ties for Renault, Volvo

By William Dawkins

THE FRENCH government has given a political push to the growing co-operation between Renault, the state-owned car maker, and Volvo, its Swedish

Mr Dominique Strauss-Kahn, the industry minister, has called on the pair to go further in their partnership, which began two years ago with an exchange of minority equity stakes. Since then, the pair has pooled the purchasing of some components, share research

Skoda plans to

raise DM1.2bn

syndicated loan

By Ariane Genillard in Prague

SKODA Automobila, the joint venture between Volkswagen of Germany and Skoda, the

Czechoslovak car manufac-

bank loan under the umbrella

The deal will be co-arranged

It will mark the first time an

borrower attempts to raise a significant sum on western

markets and should set a

benchmark for similar blue

chip foreign-controlled compa-

nies in the region.

Mr Hans Meisner of the

SANSUI Electric, the Japanese

consumer electronics company

and former Polly Peck subsid-

iary, has announced losses

after extraordinary items of Y19.2bn (\$154.5bn) in the six

months to June. This follows a

Y73.2bn loss in 1991. The latest results were hit by

what is expected to be the final

big write-off in the company's post-Polly Peck corporate

Sansui is still in the red at

the operating level, but the interim figures included an

extraordinary loss of Y17.2bn.

by Credit Suisse First Boston

Corporation.

and development and co-operate in quality control.

Mr Strauss-Kahn said more

synergies could be explored and asked Renault and Volvo to "clarify" their relationship by the end of the year. His remarks will be welcomed by the partners, who have been exploring a merger as one of several options for further co-operation, though they have yet to present precise plans to the French government.

Paris has until recently been cautious over considering a Renault-Volvo merger because it would have to table a bill in parliament if Volvo wanted to buy more than 25 per cent of French car maker. The Swedish group currently owns 20 per cent of Renault and has an option to buy another 5 per cent, while Renault holds an 8.2 per cent stake in Volvo's

The government has been unwilling to present what could be a controversial merger plan, given Renault's importance as a historic symbol of French industrial policy, in the run-up to the Maastricht

referendum. However, a politically opportune moment could arise if there is a calm period after the Maastricht vote and before the start of campaigning for next March's French legislative elections. Renault is in a strong finan-

cial position as it reaps the benefits of several years of cost-cutting measures and a good performance in export markets. However, loss-making Volvo could find it hard, for the moment, to afford the cost of buying more shares in Ren-

Rhône-Poulenc to sell additives unit

By Paul Abrahams

RHONE-Poulenc, France's largest chemical group, plans to sell Société Française d'Organao Sythèse, its specialty chemicals subsidiary, to Great Lakes Chemicals group, the Indiana-based company.

turer, is planning to raise a DM1.2bn (\$857m) syndicated Terms were not announced. The subsidiary, which manufactures additives for lubriof the International Finance cants and polymers, has a turnover of FFr525m (\$107.1m). It employs about 340 at its Paris head office and two pro-J.P. Morgan, Deutschebank

duction sites at Persan (Val d'Oise) and Catenoy (Oise). Rhone-Poulenc, which warned last week it would not reach its target of more than 20 per cent earnings growth, said the business was no longer in line with its main strategic ori-

entations. The sale is part of a Rhone-Poulenc's substantial disposal programme. In February, Mr Jean-René Fourtou, group chairman, said he hoped to raise as much as FFr3bn from disposals this year and between FFrl.5bn and FFr2bn in 1993. The aim is to cut the group's debt to equity ratio from 0.78 at the end of last year to about 0.5 in 1993.

Great Lakes, which specialises in bromochemicals and fuel additives, is expanding rapidly in Europe. Last month it paid \$21m for the remaining 50 per cent it did not own of Octel Kuhlmann, a French gas oline additive business, which was a joint-venture with Rhone-Poulenc and Elf Ato-

Sears appoints two board directors

By Nikki Talt in New York

SEARS, Roebuck, the US retail and financial services group which has been attacked by shareholders over a variety of corporate governance issues.

large cigarette, beer and food ment Volkswagen bought 31 per cent of Skoda for DM620m manufacturer, and Mr William LaMothe, chairman emeritus of Kellogg, the cereal company. Mr LaMothe retired as chief and is committed to lift its participation to 70 per cent by executive of Kellogg at the end

related to the sale of Cape-tronics, a loss-making manu-

facturing company sold to San-sui by Polly Peck in 1990.

Hong Kong-listed Semi-Tech (Global) recently purchased 51

per cent of Saosui in a \$31m deal, whereby the bulk of the shares were purchased from

the administrators of Polly

Peck, for a nominal sum. Polly Peck retains a 20 per

cent stake, while the Bank of

Tokyo, Sansul's main creditor, has converted some debt for

equity to take a stake of close

Capetronics was purchased

at the height of Japan's 'bubble

economy' and on a Japanese

to 5 per cent.

of last year. The two appointments expand the size of the Sears board from nine members to 11, and is the latest in a series

of moves by the company

several years. In large part, the unhappiness results from the lacklustre performance of the company's large retail operations, and the poor performance of Sears shares.

price-earnings ratio, according to Sansui's new chairman Mr

James Ting. The Taiwan-based

manufacturing business was

sold so that Sansui could focus

on low-cost manufacturing in

Despite the dour picture painted by its latest results,

Sansui's recent misery could

finally be drawing to a close. It has forecast a profit in the sec-

ond half of the year, due to

property disposals; and it should be able to break even at

the operating level in 1993,

according to Mr Ting.
Its new parent is the former

Hong Kong computer manufac-turer which launched the take-

Write-off pushes Sansui into Y19bn loss

China, he said.

However, at the last couple of annual meeting, this disquiet has focused on several corporate governance issues -with the dissidents requesting that the roles of chairman and chief executive be spilt, and

although none was successful. Sears has since made several moves to appease investors. In June, for example, it approved some additional powers for shareholders.

Singer, the US sewing machine

group. It intends to use Singer

to help produce a similar per-

Mr Ting has a simple busi-

ness plan he is confident will

bring it back to profit by 1994. He is proposing to bring the

company's quality audio prod-

ucts down to mass market lev-

els, focusing on high-turnover

items, such as mini hi-fi units.

Singer's 30,000 distribution outlets will then be used to

develop sales. These have

already been changed from a

narrow focus on sewing

machines to a wider range of

formance for Sansui.

down plans to restrict voting rights By William Dawkins In Parls

BSN scales

BSN, France's largest food to protect itself from hostile takeovers, in response to objections from institutional shareholders that their voting

Mr Antoine Riboud, BSN's chairman, said he would ask shareholders at an extraordinary meeting on September 30 to agree that planned new limits on voting rights should cease to apply once a bidder had bought more than 67 per cent of the group's capital.

Previously, he was planning to ask the meeting to make the new voting limits apply up to a ceiling of 90 per cent of BSN's equity, after which level they would be lifted. The planned restrictions would limit holders of shares with single voting rights to vote for per cent of BSN's equity capital, rising to 12 per cent for holders of shares with double voting rights.

Shares in French companies held for two years automati-cally get double voting rights. BSN is proposing the new curbs to avoid being caught by surprise by this proces

Some of BSN's largest share-holders were irritated by the 30 per cent plan and the Commission des Operations de Bourse (COB), the stock exchange watchdog, has in the past disapproved of excessively restrictive voting curbs In common with many French companies, BSN also has a poison pill" under which loyal shareholders would acquire 20 per cent of the equity in the event of a hostile bid. This provision would

Chairman of Danish trading group resigns

MR HENNING Sparsoe, chairman of the East Asiatio Company, the Danish trading and shipping group with sales last year of DKr18.6bn (\$3.32bn), resigned at an extraordinary meeting on Fri-day writes Hilary Barnes.

The resignation followed a first-half loss of DKr181m after net extraordinary income of DKr367m, against a firsthalf net profit last year of DKr82m.

Mr Jens Thorsen, 71, chairman of construction group assume the chairmanship until October 12.

Correction

Savings Bank of Finland

fund to buy Skopbank and not Savings Bank of Finland as reported in the FT on September 10. Other parties are also negotiating to acquire Skop-

egy is to pursue Sansui sales in China. "China is in a time

warp, as far as this industry is

concerned," said Mr Ting, Only

recently have the Chinese dem-

onstrated their enormous appe-

tite for televisions and washing

Semi-Tech has enlisted the

aid of Hong Kong's largest

audio products manufacturer

Tomei Holdings, through an

equity swap. Tomel is to produce cheap audio products in

China and it will also utilise its

domestic sales quota for Sansui

A Sansui retail network is also planned.

products.

This advertisement is issued in compliance with the requirements of the London Stock Exchange. It does not constitute an invitation to the public to subscribe for, or purchase, any shares or options. Application has been made to the London Stock Exchange for 6,600,000 new ordinary shares of 25 cents each in Kloof Gold Mining Company Limited ("Kloof") and 450,000 new Kloof options to subscribe for new Kloof ordinary shares of 25 cents each to be admitted to the Official List of the London Stock Exchange on 21st September, 1992. Application has also been made for the new shares and options to be listed on the Johannesburg Stock Exchange. Dealings in the new shares and options are expected to commence in London and Johannesburg on 21st September, 1992. Each Kloof option will entitle the holder to subscribe for one Kloof share at Rand 108.33 per share between 1st November, 1992 and noon on 30th November, 1992. The existing listings on the Johannesburg and London Stock Exchanges for the ordinary shares of 20 cents each in Libanon Gold Mining Company Limited, the ordinary shares of 25 cents each in Venterspost Gold Mining Company Limited and the options in Venterspost Gold Mining Company Limited will be cancelled with effect from the close of business on Friday, 18th September, 1992, subject to the Schemes of Arrangement becoming operative.

SCHEMES OF ARRANGEMENT

in terms of Section 311 of the South African Companies Act 1973 (as amended)

proposed by

KLOOF GOLD MINING COMPANY LIMITED (Incorporated in the Republic of South Africa)

(Registration No. 64/04462/06)

between

LIBANON GOLD MINING COMPANY LIMITED

(Incorporated in the Republic of South Africa) (Registration No. 05/08381/06)

VENTERSPOST GOLD MINING COMPANY LIMITED (Incorporated in the Republic of South Africa)

(Registration No. 05/05632/06)

and their respective members and the holders of options in Venterspost Gold Mining Company Limited.

Details of the new Kloof shares and options are included in the Companies Fiche Service available from the London Stock Exchange.

Copies of the document setting out the terms of the Schemes of Arrangement are available for collection during normal business hours on 14th and 15th September, 1992, from the Company Announcements Office, the London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance, Off Bartholomew Lane, London EC2 (by collection only) and on any weekday (Saturdays and Public Holidays excepted) up to and including 1st October, 1992, from:

Gold Fields Corporate Services Limited,

Greencoat House, Francis Street. London SW1P 1DH.

Cazenove & Co. 12 Tokenhouse Yard, London EC2R 7AN.

14th September, 1992.

WARSAW CORPORATE CENTER

UL NOWOGRODZKA 58

WARSAW, POLAND

CSFB banking department in which appear designed to directors be elected annually. At last May's AGM, the dissi-London said the terms of the has appointed two new board answer some of the complaints directors. levelled against it by investors. UNION Bank of Finland is loan were being negotiated and negotiating with the Finnish government's bank guarantee They are Mr Michael Miles. dent motions gained larger-than-expected support, should shortly be placed pri-Sears has been under fire vately among banks. Under a joint-venture agreechairman of Philip Morris, the from dissident shareholders for



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US \$400,000,000 UNDATED FLOATING RATE PRIMARY CAPITAL NOTES

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from 14th September 1992 to 15th March 6.16384 per cent. per annum. AGENT BANK: CHARTERHOUSE BANK LIMITED

A member of The Securities and Futures Authority

CHARTERHOUSE

Fuji International Finance (Australia) Limited Tranche A US\$ 60,000,000

- AMENDMENT Interest Rate : 3.95313 p.a. Interest Period :

from 8th September, 1992 to 8th December, 1992 rest payable per US\$ 50,000 Notes: US\$ 499.63 By Fuji Bank (Luxembourg) S.A Royal Trustee Limited

U.S. \$150,000,000 Floating Rate Subordinated Capital Debentures Due 2085 Capital Debentures Due 2005
Notice is hereby given that the rate of interest for the six mostle period is September 1882 to 15 March 1988 has been fixed at 3.40 per cent. The amount payable per U.S. \$10,000 Note on 15 March 1988 will be U.S. \$17,158 against Coupon No. 13. The amount payable per U.S. \$100,000 Note will be U.S. \$1,718.89 against Coupon No. 13.

Bank of Montreal as Agent

IRELAND eting / Fixed Rate Cus Bonds 2001 US\$500,000,000

Floating rate notes due September 1998 In accordance with the

provisions of the notes, notice is hereby given that for the six months interest period from 14 September, 1992 to 15 March, 1993 the notes will carry an interest rate of 3.15% per annum. Interest payable on 15 March, 1993 will amount to US\$159.25 per US\$10,000 note and US\$3,981.25 per US\$250,000 nate

Agent: Morgan Guaranty

JPMorgan

U.S. \$200,000,000 Midland International Financial Services B.V.

aranteed Floating Rate Notes due 1999 ed on a subordinated basis as t

Midland Bank piç

Notice is hereby given that for the six months interest Period from September 14, 1992 to March 15, 1993 (182 days) the Note Rate has been determined at 5% per arnum. The interest payable on the relevant interest payment date, March 15, 1993 will be U.S. \$252.78 per U.S. \$10,000 nominal

By: The Chape Manhatten Bank, N.A. London, Agent Back September 14, 1992

Ancestourg R.C. Lancestourg B 26,867 NOTICE OF SUSPENSION IN DEALING It is hereby advised that dealing Japan Fund was suspended on Friday 11 September 1992. This arrangement was

TR WORLDWIDE

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Thursday

Friday (International edition only)

INTERNATIONAL CAPITAL MARKETS

UK gilts yield

Restated at par (%) 10.0 Sep 11, 1992

10 years 20

ery. Thoughts about the dire

economic effects of a tighten-

ing in monetary policy have

inevitably made gilt investors think that a devaluation of

sterling, possibly as a part of an ERM-wide realignment, might be on the cards over the

next few months, whatever the

protestations of the govern-

"In normal times, the bad

news about the economy, and

the sense that inflation is com-

ing down, would be expected to

be good news for gilts," said

Mr James Barty, an economist

these are not normal times.

The gilt market could do with

a few more indications about a

The trouble for gilts is that

at Morgan Greenwell.

9.5

9.0

Yields rise on expectations of interest rate increase

NERVOUSNESS about sterling spilled over into the gilt market, forcing a large rise in yields for short-dated bonds amid expectations that the British government might be forced to increase interest rates in the next few weeks.

The focus of investors' concern was the French referendum on Maastricht next Sun-day. If this delivers a No vote, upsetting the move to Eurounion, (Emu) then pressures in the exchange rate mechanism (ERM) can be expected to intensity, forcing more funds into the D-Mark out of weak currencies, including sterling.

With the UK government stressing last week it would not devalue the pound, a rise in base rates - now at 10 per cent - might be required to prevent sterling falling through its ERM floor.

That explained why the yield on the short-dated 8% per cent treasury bond due in 1997 mse % of a percentage point during the week, closing on Friday night at 9.71 per cent. Its price fell by 1 point to 964.
While short yields were

the securities were reported. An exception, however, was the Bank of Sweden, which was said to be selling gilts for cash as part of an exercise to put its foreign currency reserves in a more liquid state in case large-scale intervention was required to defend the beleaguered krona.

At the long end of the yield curve, investors such as pension funds and insurance comnanies were moderate buvers of gilts on optimistic perceptions about the longer term inflation profile. As a result, long gilt yields were depressed marginally.

The degree to which pressure on rising prices is becoming subdued as a result of the long recession was underlined by the latest figures for the retail prices index (RPI). It rose by 3.6 per cent in the year to August, after 3.7 per cent in the 12 months to July. The year-on-year rate stands at its lowest for over four years.

However, it is the shorter term outlook for the bound that worries most gilt investors. Sterling closed on Friday

pushed up, few large sellers of at DM2.79, slightly more than 1 pfennig above its DM2.778 ERM floor. This was even though a stronger dollar eased the overall ERM strains by putting less upward pressure on the German currency. A weak pound inevitably depresses sentiment about gilts partly because of fading interest in the securities by overseas buyers.

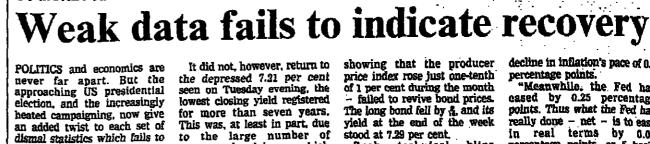
One of the main problems for the pound - irrespective of worries about the ERM and Maastricht - is the stalled domestic economy.

With some commentators suggesting a recovery is unlikely until late 1993 or 1994, investors are unlikely to want to push large volumes of funds into sterling on hopes of a At the same time, the UK's

economic weakness greatly magnifies the potential effects of Mr Norman Lamont, the chancellor, being forced to raise base rates to defend sterling's ERM parity. A rise in interest rates - perhaps to 11 or 12 per cent - would cripple industrial and consumer confidence. It would almost cer-

Peter Marsh

US MONEY AND CREDIT



Ten days ago, for example, yet another set of poor unemployment figures hit the

indicate any meaningful

news wire. So the bond market was all ears when President George Bush rose to address the Detroit Economic Club last Thursday. Traders fretted that the president, eager to boost his re-election chances, might suddenly become overly open-handed.

After a few jittery minutes. they were able to pack their fears away. The president offered no new measures likely to pump inflationary pressures into the economy, and his one percentage point tax cut proposal was deemed to go little further than his statements to Republican Convention last

The bond markets breathed a collective sigh of relief, and the vield on the benchmark 30-year long bond fell below 7.25 per

month.

It did not, however, return to the depressed 7.21 per cent seen on Tuesday evening, the lowest closing yield registered for more than seven years. This was, at least in part, due to the large number of corporate bond issues which

hit the market last week with some estimates suggesting that between \$7.5bn and \$8bn-worth of corporate debt was priced during the abbreviated four-day trading

period. Corporate issues tend to depress bond prices, partly because underwriting firms on Wall Street sell off holdings of treasuries in order to give themselves the leeway to hold unsold corporate debt, and partly because investor demand becomes squeezed.

In this particular case, traders said a large number of issues were priced aggressively that is, offering only a minimal yield advantage over lower-risk treasuries. As a result, dealers were left holding large tranches of unsold stock.

By the end of the week's trading, these technical considerations were still overshadowing the market. and even some extremely low inflation data for August -

showing that the producer price index rose just one-tenth of 1 per cent during the month - failed to revive bond prices. The long bond fell by 4, and its yield at the end of the week

stood at 7.29 per cent. Such technical blips notwithstanding, most bond market participants are convinced that yet another easing of interest rates is on the cards and that yields have further to fall in the medium term.

Donaldson, Lufkin & Jenrette, for example, is suggesting that the 30-year treasury bond yield could be down to 6.5 per cent by mld-1993.

The reasoning is simple: the lack of consumer confidence, generated in part by employment worries, the extremely low rates of inflation at present, and - against this backdrop extraordinarily cautious Federal Reserve policy.

As Mr Robert Brusca, at Nikko Securities, argued to clients last week: "Friday's PPI report for August shows how good inflation's performance

Year-over-year inflation dropped from a 1.7 per cent to 1.5 per cent rate of increase, a

decline in inflation's pace of 0.2 percentage points.

"Meanwhile, the Fed has cased by 0.25 percentage points. Thus what the Fed has really done - net - is to ease in real terms by 0.05 percentage points, or 5 basis

points". This argument will probably be reinforced in the coming week, when the consumer price numbers, also for August,

are released on Tuesday.

After the very low PPI figure, most analysts are expecting an increase in "core inflation (excluding food and energy costs) of perhaps 0.2 to 0.3 per cent - a slight uptick from the July levels.

Also on Tuesday's calendar are the August retail sales figures. Leading retailers have already unveiled lacklustre sales figures for the month. although they were quick to blame the relatively late date for the Labor Day holiday, saying that this had pushed "back-to-school" some spending into September.

Still, analysts now expect the overall retail sales numbers to either show a minimal advance, or even à small

Nikki Tait

Lira devaluation to spark volatile trading

TODAY'S promised cut in German interest rates will kick off a week of volatile trading in European government bond markets in the run up the French referendum on the Maastricht treaty. German yields, which were already fall-ing last week as investors switched out of higher yielding paper, could now be set to fall sharply as the ERM moves into

a new phase. With opinion polls suggesting a close finish in the referendum, some analysts suggest that the D-Mark bloc should benefit from either result.

In the event of a No vote, the German bond market is expected to outperform other European markets. Economists say that yesterday's devaluation of the lira could prompt some short covering in Italian bonds and stem the capital outflow into the D-Mark bloc. However, ciently is likely to make inves-

Spanish and Ecu bond markets, while the D-Mark bloc would initially be left behind. would be dangerous to sell high-yielding bonds at current

yielding markets and going overweight in bunds.

However, trading is expected to be volatile this week, since the scale of the damage to the markets in the event of

Apart from the inflow of funds from other markets, the lower yields on bunds also reflect the market's cautious anticipation of a cut in German

rates to be announced today would be widely welcomed throughout Europe, and would ease ERM tensions, German bond yields fell last week, with the yield on the benchmark 8 per cent 2002 bond dropping to 7.82 per cent from 7.74 per cent. This compares with 8.13 per cent at the

near-term range seen at 7.75 to 7.50 per cent. Yields on shorter maturities showed a bigger drop last week, of around 12 basis points as investors reveal a greater interest in that part

end of July. Analysts expect

this rally to continue, with the

Strategists say the drop in German bond yields reflects a growing consensus that whatever the result of the French poll, the Bundesbank will have to compromise on interest rates to prevent the German economy slumping into reces-

uncertainty about whether the a No vote is unknown lira has been devalued suffi-

tors already in the D-Mark bloc A Yes vote, on the other hand, would trigger a rally in the higher-yielding French, Some analysts say it

But since a Yes vote in France would still leave many questions unanswered about the future of the Maastricht treaty, others recommend taking early profits in higher-

interest rates. Lower German

Mr George Magnus, director of fixed interest research at SG Warburg Securities, said a change in Bundesbank policy has appeared tantalisingly close, even though, until last night, the central bank had said and done nothing to encourage this view.

Last night's confirmation of what on Friday was no more than wishful thinking should fuel the rally in German bunds but the extent of any rally depends on the size of the

Antonia Sharpe

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INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Italy's new tax regime to have widespread repercussions

THE changes to Italy's investment taxation regime, announced last week as part of the government's seconomic package, will not only shift patterns of investment in Raly, but will have a knock-on effect in several gress of the international capital markets.

Eurobonds issued by some supra-national agencies (the World Bank. the European Investment Bank (EIB), the European Coal and Steel Community and the European Atomic Agency) and government and state agencies (the Republic of Italy, Enel, the electricity utility, Crediop, the financial institution, and Ferrovie, the national railway) have lost their tax exemption for findian residents, and future deals will have withholding tax levied at 12% per cent. But existing issues remain exempt from withholding tax, even if they continue to be

Prices in existing tax-exempt issues railied on the news on Friday. The World Bank's global bond issues benefitted most, with the yield spread on its \$1.5bn five-year global narrowing from 3 basis points above the five-year treasury to 10 basis points below. The bank's 10-year yen global bonds tightened from 20 basis points to 12 basis points over the 10-year Japanese. points over the 10-year Japanese government bond yield. However, there was concern that the effect of aggressive buying of these issues would "strip all our liquid benchmarks out of the market," one

Other Eurobonds did not appear

to be following these deals to tighter spreads.

The tightening of existing paper

should help the World Bank achieve should help the World Bank achieve aggressive funding when it launches its next global bond, despite its loss of tax-exempt status. The bank said it may advance its funding programme to take advantage of the shortage of paper. The bank's next offering, a yen global offering totalling at least Y200hn is scheduled for mid-October. But the next dollar global offering, expected in 1993, may be brought forward.

Although the effect will year from

Although the effect will vary from one sector to another, bankers expect costs for the World Bank to rise, in the medium to long term, by around 20 basis points, to about 20 basis points under Libor.

The EIB is likely to suffer a greater increase in funding costs, since it has targetted Italian investors with issues in smaller markets such as the matador bond market. It has frequently achieved funding costs of 75 to 80 basis points under Libor, now also set to rise to around

20 basis points under Libor. The EIB decided on Friday to pull its Pta10bn issue of floating-rate notes, launched on Wednesday, just hours ahead of the tax change announcement. Although the change did not take affect until Thursday, there was some uncertainty over whether it applied to the launch or the signing of the deal. Trades in the issue, which had been largely placed ahead of the announcement, were cancelled, according to lead manager Banco

sidering whether to go ahead with a Y50bn deal scheduled for last Thursday. However, dealers said the planned terms of the issue would have to be changed to take account of the new tax regime.

Meanwhile, spreads of Italy's Eurobonds barely tightened on the news. Dealers said concern about Italian credit and the excess supply of Italian paper stifled any rally in Italian paper.

The sizeable repurchase agreement (repo) market is likely to suf-

fer on several fronts. As well as the loss of tax-exempt status for supra-national names, the new rules limit companies' ability to deduct the repo costs as a business expense.

Also included in the package is a cut in withholding tax for Italian

investors on foreign bonds from 30 per cent to 12.5 per cent, the same as for Italian government bonds.

This is expected to encourage Italian institutions to diversify their investments in overseas markets. However, the new regulations also close a loophole used by some Italian institutions. They will no longer be able to avoid paying with-holding tax by "coupon-washing" farming out bonds when the coupon is due to be paid. In future, taxation will be applied to accrued interest. · Volume on Italy's new bond futures market, the Mercato Italiano Futures (MIF) reached 10,000 contracts on its first day of trading

Tracy Corrigan The country has a AAA credit rating from Standard & Poor's and a

SYNDICATED LOANS

Sweden faces a testing time over credit standing

WEDEN'S credit standing in the international financial community will be tested this week as foreign banks ponder whether to support its Ecusbn syndicated loan,

announced on Friday.
Like the UK the week before, Sweden is borrowing heavily to support its currency in the face of the turmoil in the European exchange rate mechanism (ERM). The success of its deal will be a pointer to other countries which are said also to have considered foreign borrowing to defend their currencies. "If it doesn't go well, other countries will start to get worried about what it will cost them to do the same thing," said one large US bank considering whether to participate in the Swedish deal.

In many ways, the transaction has powerful attractions. Sweden has not come to the international markets since 1989, so its loan will be snatched up by banks wanting to develop their relationship with the country.

It was also generally considered on Friday to be well priced. The yield to participating banks was put by one bank at nearly 20 basis points (0.2 percentage points) over London interbank offered rate (Libor), compared with 10 basis points on the UK deal Given that the loan is zero-weighted for capital purposes, this was widely seen as a good price for a three-year facility. However, concerns about Sweden's credit standing overshadowed the loan at the end of last week.

to think hard about increasing their exposure to the country before its economic prospects become clearer. "There will be credit officers in many banks who have sat up in the

Asl rating from Moody's. But afte

the recent events banks are likely

past week and said, what is hap-pening in Sweden? said another big international bank. That could lead banks to freeze their limits to Sweden in the short term, he said. Sweden also drew heavily at the end of last week on two standby banking facilities, totalling \$3.4bn to support its currency.

JP Morgan said it would be approaching the National Debt Office's close relationship banks over the next few days with the aim of putting together a group of lead managers, and it hoped to syndicate the deal among about 30 banks. It added that some banks had already shown an interest in participating.

The loan consists of two parts. The first is an Ecu3bn 364-day loan which will be used immediately, and carries a margin of 10 basis points over Libor. The second part is an Ecu5on three-year multi-cur-rency revolving credit, with a mar-gin of 18.75 basis points over Libor and a commitment fee of 10 basis points on the undrawn portion. ● The Kingdom of Spain is planning to come to the capital markets

this week. It talked to investment bankers in London last week about \$2bn Eurobond issue.

> Richard Waters and Sara Webb

Anthony Harris

Tales of disaster and salvation



like life to be sim-ple, there are too many possible explanations for the unexpected surge in the dollar

at the end of last week. Only the least likely of them could be construed as offer-ing any kind of consolation for the British government for the fact that the dollar's rise left sterling more than ever stranded - the idea that the markets were giving Mr Major's friend President Bush a vote of confidence after his lat-

est tax-cutting speech.

The more plausible explanations

In the US, the most significant change was marked not by Mr Bush's speech, but by remarks from Governors Angell and Parry of the Federal Reserve. Both indicated that the lastest US interest rate cut should be the last for some time, which suggests that the Fed is now becoming more worried about the dollar than about the continued weakness of the economy. This postpones any remaining hope of European salvation from rising American

This news might have weakened the dollar still further, on what is now the normal market rule that it is strong economies which have strong currencies. However, the sad fact is that while optimism about the US simply remains anaemic, hope is rapidly disap-pearing everywhere else. It was surely the news of crisis

in Scandinavia and Italy, riots in Germany, slump in Britain and falling industrial confidence in Japan which drove the dollar up.
The US may look waterlogged, but
if you know a better hole...
The stalest of all bull markets is

that in European integration. Though it is easy to forget, it is not very long since the US business press was full of learned dis-cussions of the European disease. Then the US economy went sour, the Japanese market looked overdone, and 1992 loomed. For a couple of years, Europe was seen as a nascent superpower; but now we have crisis, and what was seen as a source of strength looks like a analysts, European disintegration looks not so much a disaster as a prospective relief.

The markets should have foreseen the pains of convergence. All systems become brittle if they are too rigid; and in any case, we have been this way before. The Bretton Woods system, now remembered as a paradise of low inflation and steady growth, was denounced in its time as a deflationary plot. When the IMF finally achieved convergence, the world went into a simultaneous boom and blew the lid off the system.

Regional convergence should not be so accident-prone, because floating exchange rates outside the system allow for some automatic adjustment: they are now supporting US growth as Europe

slows down.
All the same, convergence is painful to achieve, and requires is achieved. Watching the mess we are making of the first stage (partly because the Germans no longer seem to want it much) it is hard to hold much hope for stage two: and the markets have clearly lost all faith in the whole busi-

All this looks like a catastrophe for Britain, and especially for Mr John Major; but I am not so sure Pessimists might try to find a copy of Richard Hughes's prophetic inter-war novel in Hazard. This concerns a ship (very obviously the ship of state) in a storm. Every effort by the skipper to meet the crisis makes things worse; but every apparent disaster proves a salvation. At the climax. the bridge and funnel are carried away in a huge wave; so the ship

does not capsize.

Mr Major behaves ominously like Mr Hughes's skipper, and he will certainly look silly if the ERM superstructure is battered to bits.

Yet Britain might have a very promising long-term future in a more flexibly constructed Europe The present slump would still damage the economy and the currency, but it would kill inflation for a long time. Thereafter Britain's long-term competitive advantage could promise a prolonged growth boom.

It is just a matter of not drown

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield
US DOLLARS							
Aux.Crdt.Foncler Fr(a)#1	200	2002	10	(a)	100.10	UBS Phillips and Drew	
SBAB(b)#f	100	2002	10		99.80	Kidder Peabody	-
Export Dev.Corp.†	300	2004	12	(b) 8¾	99,22	CSFB	6,843
Council of Europet	250	1999	7	61g	99.47	UBS P&O/Daiwa Eur	6.221
Deutsche Bank Fin.(d)#†	150	2002	10	(d)	100.30	Deutsche Bank AG	
LKB Baden Wurt berg Fin.t	500	2002	10	6.625	99.26	J.P.Morgan Secs.	6.729
Deutsche Bank Fin.NV(e)#1	150	2002	19	(e) 7 ¹ 4	100.30	Deutsche Bank AG	-
MBL Fin.(Curecao) NV(f)†	65	2007	15		100	Mitaubishi Finance	7,250
MBL Fin.(Curscao) NV(g)†	135	.2006	13,5 .	71	100	Mitsubishi Finance	7.118
Dalwe Inti Finance(k)†	104	. 2002	10	(k)	100	Dalwa Bank Capi Mngt	6.25
Eurofima(I)#1	56	2002	16	m	100.32	SBC	-
MTBC Fin Aruba AEC(m)#1	240	2002	10	(m)	100	Salomon/M'bishi Tst	_
Credit Local de France(n)#	100	2002	10	(n)	99.75	Kidder Peabody Intl.	-
CANADIAN DOLLARS							
Seuteche Bank Fin.(c)#1	- 50	2002	10	(c)	100.20	Deutsche Bank AG	
SECV(h)†	200	2002	10	(c) 7 %	100.93	Merrill Lynch Inti	7.738
AUSTRALIAN DOLLARS			_				
Province de Quebect	235	2002	10 .	9 ¹ 2	100.93	Merrifi Lynch Inti	9.353

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SECOND EXTRAORDINARY GENERAL MEETING ses which will take place at the offices of the Transfer Agent, B a & Luxembourg, 69, route d'Esch, L - 1470 Luxembourg, on M

of Articles 5, 6, 10, 20, 21 and 26 of the Articles of I

for dividence to be decisted unistly by a simple majority rote of a class meeting of the heiders of the relevant class or category of stares and to be paid as may be decided in respect of record date sudder until (but not included) the actionment date

(III) provisions for decisions on the merger of portfolio cor rios of the Company or to those of so provisions for the possibility to terminate portfolios with total assets below cortain amounts over a pariod of 30 consecutive days;

provisions limiting the conversion right among shares of the same relevant Due to the fact that a first meeting held on August 28, 1992 did not reach a querien, is no querum requirement at the second extraordinary general meeting at which the ness shall be passed at a graphrity of 2/3 of the shares present or represented. The full text of the proposed amendment of the Articles of Incorporation is available for inspection and a copy thereof may be obtained an request from the Transfer Agest, Banque Internationale à Luxambourg, at its address referred to above.

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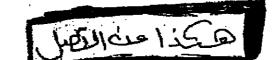
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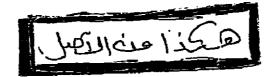
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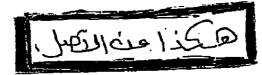
 Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trust. Calls charged at 36p/minute choop rate and 46p/minute at all other times

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FINANCIAL TIMES MONDAY SEPTEMBER 14 1992 29 CURRENCIES, MONEY AND CAPITAL MARKETS MONEY MARKET FUNDS FOREIGN EXCHANGES AND MONEY MARKETS POUND SPOT - FORWARD AGAINST THE POUND Not CAR Time LONDON RECENT ISSUES **Money Market** Awaiting the French Sep 13 Close **EQUITIES** Trust Funds 130-147(m) 7.75 3.05-2.95(m) 5.10 3.05-2.95(m) 5.10 5.13-80(m) 0.75 3.13-80(m) 1.15-1.15cm 1.06-0.95cm 1.20-0.95cm 1.20-0.05cm 1.40-0.05cm 1.40-0.05cm 1.40-0.05cm 1.40-0.05cm 1.11-0.00cm 1.11-0 Price Paid Regent 1992 Price p Date High Low Ne CAR IN CAP Money Management Co Ltd GP Permany Rant Townses TYP 2LD GP Permany Rant Townses TYP 2LD GP Count Cap it revise to 64 GP Permany Rant Townses TYP 2LD GP Count Cap it revise to 64 TRADING in most of the dollar, however, may be currency crosses is certain to speculation over the outcome be volatile in the remaining of the meeting of finance 100 F.P. 100 F.P. - F.P 99 60 101 100 11 7 21 19 21 19 25 145 150 145 470 1700 1700 16 112 16 112 Broadpate in Truck Derman Wermels Derman Wermels Derman Wermels Derman Smaller Co' L... De Wermels Finitury Sele Co' - Zeng Pf U' wert Endowment Policy SWIESCOT TH Technology Units Throp 1900 Seler Co' - Wis Yorkskin 'V Wermels Conto Companio Acquari III- cilcula sessor 271-0-23 5454 27 Bush Lare, Lumbur E-18 584 771-0-23 5454 Ears producing to 19-125 Day (large Rank PLC Premier Account 06 Moures Street W17 31.0 06 Moures Street W17 31.0 07 1-01 days before Sunday's French referendum on the Masstricht treaty, writes James Blitz. ministers from the Group of Seven leading industrial nations in Washington on Saturday, An unnamed 30.15 Japanese official suggested last UK slearing bank base lending rate 10 per cent from May 5, 1992 week that the meeting could draw up plans for more active intervention in currency Fidelity Manny Market Account Figures Develope Services Ltd. Osserii Nouse, Li-Cat wee lineathers from Ltd. Osserii Nouse, Li-Cat wee lineathers from Ltd. Osserii Nouse, Li-Cat wee lineathers from Ltd. Osserii Nouse, Ltd. Osse markets to limit the power of the D-Mark, By the end of last week, DOLLAR SPOT - FORWARD AGAINST THE DOLLAR Money Market several dealers said that the immediate outlook for the dollar and the European In the European exchange rate mechanism, pressure is CS00,000+ Honey Martin Rain in reliant Captiners Montey Magaagement Left III-18 Montey Magaagement Left III-18 Montey State CS78 002, p71-220-1425 MCA.LID 000-18 25 MCA.LID 0 months p.a. 150-147pm 7.25 344-3 37pm 7.41 040-0456th -2 07 040-0456th -2 07 040-0456th -6 32 47.00-20.000th -6.97 411-0456th -13.76 415-0256th -13.76 425-0256th -13.76 425-0256th -13.76 425-0256th -11.91 1350-18-504th -11.91 1450-18-504th -11.91 1450-18-504th -11.91 1450-18-504th -12.91 1461-14-74th -6.52 244-2-71,000 6.35 Bank Accounts likely to continue on both the Italian lira and sterling. Few FIXED INTEREST STOCKS AIB Bank High Interest Changes Account Billion Re High Interest ISB ISB 0000 252115 crosses was far from certain. Afficient 1992 Paid Resume High Low The dollar staged a recovery to over DM1.45 in US trading on Friday. But the currency's Heat Price E Price + or dealers would expect the Italians to devalue their currency before the outcome of the referendum is known. But pressure on the lire remains - 110s 106 gp strength will be well tested by 071-438 6070 6 373 8.74 -6 373 8.84 -9 73 9 38 -7 125 6 92 a host of economic indicators for August this week, intense and the currency including tomorrow's retail remains close to its ERM floor against the D-Mark of L785.4. sales figure and the industrial production figures on The pound may be affected by the August retail sales figures on Wednesday. But sterling is Wednesday. "These numbers are likely to underline that the US economy is in a weak supported Light Series Lie 75 7 2125 | 10 111 - Kleisworf Benson Lie 7 125 | 10 111 - Kleisworf Benson Lie 7 125 | 10 125 | 15th H CCA (12 300) | 18 873 6 205 | 201 257 | 15th H CCA (12 300) | 18 873 6 205 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 | 201 257 RIGHTS OFFERS recently-acquired Eculobn borrowing facility which the state," said Mr Gerard Lyons, chief economist at DKB Amount Latest 1992 Paid Remark High Low EXCHANGE CROSS RATES International, in London. UK government may convert One factor supporting the into pounds this week. S DM Yam F.Fr. S.Fr. N.FL Lina CS 8.Fr. Pal. | 1 | 1,924 | 2790 | 2910 | 9,495 | 2477 | 3,145 | 2135 | 2,521 | 37.55 | 1811 | 1,924 | 2790 | 2910 | 9,495 | 2477 | 3,145 | 2135 | 2,521 | 37.55 | 1811 | 1,924 | 24.55 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1,255 | 1, 15 0000- 17 1 Midland Bank pic PO But 2 Shylinia Extreme Acc 15000- 6 1 510 0000- 6 1 1550 0000- 9 1 1253 4 9 9 cover taxes on divinated an fall capital. 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I group of the other official estimates for 1972-12 (I group. I grou E IN NEW YORK CURRENCY MOVEMENTS Morgazi^{an} Gueranty Changes Yo Back of England lates Previous Class Mank of Scotland 20 Treatrage St EC27 2EH Michael 2 52-12 Mill 6 55 125 0000- 10 86 Sep.11 6 49 9 00 1 6 45 9 25 -16.554 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 | 19.56 Starilos U.S Dellar LANGUAR Dellar Antrian Schilling Beiglan Franc Dellar -20.1 -29.7 -29.7 -20.5 -20.4 -20.4 -20.4 -20.4 -10.4 -10.4 -10.4 STERLING INDEX Sep.11 Previous EURO-CURRENCY INTEREST RATES 8.36 250 11.00 201 11.00 4 91.7 91.7 91.7 91.6 91.6 91.6 91.5 91.5 91.9 92.0 91.9 92.0 92.0 92.0 92.0 92.0 for Beschwart Back PLC are Con Hern Back PLC Brawn Shipley & Co Ltd Fagners Court Lottoup, Leadon EC2___071-006 983; For Sectionart State PLC up to response to 191 a.571 - 2 Calestonian Bank Ptc (1830 b.38) a 71 a.00 a053 (1830 b.38) a 71 a.00 a0 Morgan Garranty chappes: everage 1980-1982-100. Bank of England index (Base Average 1985--1800, "Rates are for Sep.10 10)2 - 10)1 34 - 34 411 - 46 911 - 96 913 - 96 103 - 101 18 - 17 94 - 94 114 - 13 121 - 23 144 - 33 BANK OF ENGLAND TREASURY BILL TENDER Sep.11 Sep.4 Sep.11 Sep 4 \$2,000-12,000 | 0.00 4 50 | 0.10 | \$2,000-12,000 | 0.00 4 50 | 0.10 | \$2,000-12,000 | 0.00 | 0.00 | 0.10 | \$3.00 & Presspar/Robert Florening | 10-20 | 0.00 | 0.2101 | \$4.00 & \$4.00 | 0.00 | 0.00 | 0.2101 | \$4.00 & \$4.00 | 0.00 | 0.00 | 0.2101 | \$4.00 & \$4.00 | 0.00 | 0.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.00 & \$4.00 | 0.00 | \$4.0 **CURRENCY RATES** Santa & Special * European t rate Drawing Carrency % Rights Unit OTHER CURRENCIES 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 0.749957 1.47404 1.79759 14.7492 43.2646 8.10943 2.97196 2.35163 7.1125 1.662,32 181,623 8.30327 1.35,543 7.67017 1.85759 N/A Long term Europhillers: two years 44-31) per cent; three years 44-42, per cent; four years 54-56, per cent; they years 49-46, per cent; four years 54-56, per cent; they years 54-56 pe \$200,0000 | 12.50 | 3.60 | 2.51 | Many other currents are certificite for rate plains Show out 21.86 | 2.51 | Chydesdala Bank Flexible Solution Acc 37.53 Warm Flact, Gungare G. 2.86 | 0.41 2.95 7070 | 12.000 | 12.50 | 12.50 | 5.10 | 7.71 | 12.000 | 12.50 | 12.50 | 5.10 | 7.71 | 12.000 | 12.50 | 12.50 | 5.10 | 7.71 | 12.000 | 12.50 | 12.50 | 5.10 | 7.71 | 12.000 | 12.50 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 | 12.50 | 12.50 | 12.000 ULC Trust Limited 1 Grad Comberland Pt. Landon W1H7AL 071-238 0094 10.000-90 day matter. J11 29 8 44) 11.73) --FT LONDON INTERBANK FIXING WEEKLY CHANGE IN WORLD INTEREST RATES United Dominions Trust Ltd P0 8m 135, Athers 1, Randing RG1 3ES 0734 5a0411 Capital Pin Roman August E1,000-. 19 49 7 051 9,74 1,400-. 19 49 A Co Ltd 1,30 Domphite, London EC2V 605 071,582 6000 P01,582 6000 P01,582 6000 E10,000 and above. 10 50 6 751 9 261 E10,000 and above. 10 50 6 751 9 261 -(11.00 a.m., Sep.11) 3 months US dollars Sty.11 charge Unch'd Unch'd +0.0786 Unch'd Unch'd +0.0786 +0.0786 +0.0786 Unch'd Unch's Unch's 40.07 Federal Funds S Mith. Treasury Bills 6 Mith. Treasury Bills 3 Mith. CD 23 297 303 308 94455 94455 94455 The fining rates are the arithmetic means rounded to the nearest one-sixteenth, of the MM and offered rates for Sillon quoted to the market by five reference banks at 11.00 a.m. mach working day. The banks may indicate Bank, Bank of Tologo, Destroite Bank, Bank of Bank Bank of Tologo, Destroite Bank, Bank of Bank Bank, Bank of Tologo, Destroite Bank, Bank of Bank Matients and the Paris and Morgan Gearanty Treat. Bask rate refers to control bank discount rates. These are not quoted by the UK, Spain and Ireland. European Commission Calculations. All SOR rates are for Sep.10 FRANKFURT Western Triast High Interest Chaque Acc The Management, Physical PL 15E 0732 724141 513,0000-114,694 19.50 7.13 8.96 513,000-114,694 19.50 6.94 9.50 -9.75 9.75 9.60 -1 -Lamberd One with Intertuck ... Three stooth Uncir d -0.05 -0.05 **MONEY RATES** 00 - 240 990 00 - 234 999 0- 29 999 1107 - 547 Blass Unch'd Unch'd TOKYO One moeth . Taree moeti NEW YORK Path Finder - Card Bland Carrant A All Balance 9 4.0 The Terr - Santal Access Include (20,000-44,994 9.00 13,000-44,994 7.73 11,000-44,994 6.75 11,000-4,999 6.75 7.20 | 10.00 | 44 # Goe moeth Two moeth Tares month Siz moeth One year Two year U.S. TREASURY BONDS (CST) 8% \$180,000 32min of 180% 75 9 20 9 20 7 30 1 30 2 30 2 30 #해 #해 37 캜 ż Fre. 108-24 108-14 108-14 108-05 108-01 108-01 108-01 108-01 108-01 108-01 High Long 100-101 101-13 101-02 103-23 103-03 101-14 103-10 103-10 103-07 101-08 14.3555555 14.3555555 16.5355555 Altra Latereas CSG 0000-C10 499 C1 000-C10 499 9,85 9,60 Uneb'd Uneb'd 101 One Horth Two Months Sep.11 Oversight. Three Months Month Siz 9,70-9.80 | 9,75-9.85 10:4-10:4 | 10:4-10:4 7-1-7-3 9.44-9.75 9.70-9.80 974-10 1074-1075 714-71 714-71 9.75-9.85 104-104 0.7045 0.6777 0.7041 0.6894 0.6763 0.6927 0.6754 0.6662 0.6620 0.6723 944.75 44-46 27-47 27-47 104-104 88.59 104.90 1696.7 68.6 1100.59 2327.5 1021,42 88.98 105.34 1710.8 68.6 1106.46 2337.7 1029.38 Government Secs. Fixed Interest 88.83 105.46 89.36 105.44 1729.0 74.5 1118.19 2362.2 1029.27 49.18 50.53 49.4 43.5 61.92 986.9 900.45 938.62 89,46 105,50 1733,4 72,9 1120,50 2372,2 1032,28 88.91 105.38 89.75 85,11 127.4 127,4 106,35 2149,7 734,7 1326,38 2737,8 1199,58 1248,79 108.35 2149.7 180,6 1328.38 2737.8 Ordinary Gold Mines FT Act All-Share FT-SE Eurotrack 100 FT-SE Eurotrack 200 1729.9 68.0 1118.91 1707.4 65.0 1105.69 65,0 987.45 2281.0 993,01 2340.8 1027.59 1087.55 **LONDON MONEY RATES** 1199.58 7 days Three Months Sep 11 One Year 1,9150 1,8340 1,8490 吼 LONDON SHARE SERVICE 햣 94-----High Law Pres. 0.7660 0.7737 0.7914 0.7820 0.7646 0.7827 0.7700 0.7940 0.7743 10) 103 91 10,8 9,7 10 104 | Note | Price | C change | Em | chee **BRITISH FUNDS** BRITISH FUNDS - Cont. Wit S Anni C change Im 3.04 115 116 3.10 61 115 116 3.18 64 64 114 114 Moting Price & Change & & Cha 28,7 1280 18,4 1308 21,7 1348 3,8 1281 18,8 1290 8,8 1274 19,3 1248 11,9 1247 11,9 1247 11,9 1334 16,6 1293 28,8 1301 Treasury Bill's teall); one-month 91 per cent; three months 91 per cent; six months 91 per cent; Saak Bills (sell); one-month 91 per cent; three months 91 per cent; Treasury Bills; Average teater rate of alsount 9,0605. ECCO Fixed Raze Sterling Export Finance, Make up day August 28, 1992. Agreed rates for period Sep. 23, 1992 to Detaber 25, 1992. Scheme 11 35 n.C., Schemes 11 & 111; 11.56 p.c. Reference rate for period August 1, 1992 to August 28, 1992. Scheme 15 and Part 1992 to August 28, 1992. Scheme 1994, 10.579 p.c. Local Adaptority and Finance House seven days notice, others seven days fixed, Finance Houses Base Rate 101 from September 1, 1992; Bank Deposit Rates for sums at seven days of the Part 1995 per Cent; September 1, 1992; Bank Deposit Rates for own held under one month 61 per cent; Center three months 9 per cent; three-six morphs 9 per cent; sk-nine months 81 per cent; inner-twelve months 82 per cent; three-six morphs 9 per cent; May 6, 1992. Deposits withdrawn for cash 5 per cent. Sep 3.00 2.60 0.56 0.03 130 442 541 742 1147 11.07 010 236 476 721 971 Previous day's open led: Calls 460,439 Parts 538,480 (All carrencies) Previous day's volume: Calls 29,922 Parts 28,397 (All carrencies) Over Fitteen Years Spc 2008 ## #88324 Bpc 2009 ## #18324 Tress Spc 2012 #1913 Spc 2012 #1913 Tress Siz pc 2008-12# 7814 Tripes Siz pc 2008-12# 7814 Tripes Siz pc 2012-15# #812 Brch 12pc 13-17 #1814 Tress 814 pc 2017 # 9814 814 pc 2017 ## 3812 FT-ACTUARIES WORLD INDICES 7,91343 11,11336 CTHER F1XED INTEREST 11,11336 11,11245 12,11245 13,1134 14,11340 14 — 4,871 April 10:13 — 1,860 Mr25 Se25 0.1 2,823 Jul 2 Jr 12 0.2 1,860 Fe6 As6 0.2 2,780 Fe25 Ae25 0.7 1,981 Mr10 Se10 0.3 780 Jr 25 Je25 0.4 1,800 Jr 12 Dr 12 0.3 2,880 Fe25 Ae25 0.5 2,880 Ae25 Fe25 Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood African Dev 114₂ 2010. 113,5 Astan Dev 101₄ pc 2009 107,13 Astan Dev 101₄ pc 2009 107,13 Brass 111₂ pc 2012. 1111₄ Iretand Cap 81₂ pc 100. 91 8pc Cap 1998. 931₄ 13pc 197-122. 1681₂ Hydro Quebec 15pc 2011. 1381₄ Lendra 131₂ pc 2006. 123 14 Lendra 131₂ pc 2006. 123 14 Lendra 131₂ pc 2007. 1881₂ HARDERS 111₂ pc 2007. 1881₂ HARDERS 111₂ pc 2007. 1881₃ HARDERS 111₂ pc 2007. 1881₄ Hydro Angla 37₂ pc 2021. 1881₄ 1841₄ pc 11 20224. 1841₄ Utd May Sarten 181₂ pc 2008. 1231₄ Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries NATIONAL AND REGIONAL MARKETS THURSDAY SEPTEMBER 10 1992 DOLLAR INDEX FRIDAY SEPTEMBER 11 1992 28,8 1428 27,89 — 12,3 3148 1,5 3169 1,5 — 30,3 3275 1,8 3361 8,1 3465 20,7 — 27,8 — Local % Gross y chg from Div. 31/12/91 Yield US Dollar Index US % chg Dollar (\$) since index 31/12/91 Pound Sterling Index Pound Sterling Index -1.1 598 Ap27 0x27 -1.2 1,758 Jy19 Ju19 -8 1,160 My My1 -1.0 595 My30 9x30 -1.0 1,000 My30 Nx20 -8 1,200 Sa26 My20 -8 1,200 Sa26 My20 -8 1,200 Sa26 My20 1992 Low DM Index Currency Index 1962 High 94.25 97.72 110.86 120.95 108.46 112.47 94.09 97.54 180.98 168.88 40.39 41.87 122.18 126.67 87.94 99.19 173.76 180.14 117.11 121.42 44.96 45.61 85.49 89.67 179.62 186.22 938.71 971.16 123.47 129.01 31.45 32.61 107.26 111.21 144.43 149.75 131.35 138.18 104.40 108.24 127.17 131.85 87.38 90.60 136.58 141.59 128.26 133.01 110.22 114.28 98.59 100.45 117.39 119.61 108.86 110.90 96.05 97.86 180.46 163.48 41.65 42.43 124.07 126.40 88.42 90.10 175.78 179.09 116.35 118.55 44.10 44.93 85.01 86.61 183.71 187.16 934.97 952.57 124.90 127.26 138.18 140.76 104.99 106.97 138.18 140.76 104.99 106.97 138.18 140.76 104.99 106.97 138.18 140.76 104.99 106.97 138.37 140.96 138.37 140.96 138.37 140.96 131.82 134.31 98.45 117.31 114.85 114.04 106.49 104.17 93.96 110.30 156.96 158.67 40.74 51.04 121.37 52.68 88.50 88.50 171.96 226.38 113.83 115.73 43.14 47.43 83.18 86.61 179.71 229.38 914.67 4088.58 122.20 120.92 31.91 41.90 107.73 110.51 144.84 141.12 195.18 149.73 102.271 97.18 126.271 97.18 126.271 191.25 135.35 198.37 128.96 171.07 -3 388 Fri Auf 0.2 1,889 Jet Dri -2 127 Apri Ori -4 68 Aps Ors -4 276 51aApsyOr -9 478 Apri Ori 25.6 1239 27.4 1352 25.8 1243 1.9 1324 1.9 1235 25.8 1315 Australia (89)... Austria (19).... Belgium (42)... Canada (114)... Penmark (83). Finkand (15)... France (102)... Germany (64). Hong Kong (53 Ireland (16).... Italy (78)... 124,38 151,35 139,27 183,48 135,87 183,48 135,87 183,48 135,87 183,48 124,32 136,75 208,23 257,49 148,06 142,90 114,42 111,42 176,38 142,90 176,38 141,91 147,88 141,91 47,08 141,91 147,88 141,91 147,88 141,91 175,15 246,87 175,15 246,87 175,16 246,87 175 4.27 125.69 2.56 155.56 5.91 144.86 5.91 125.46 1.79 214.63 2.76 182.33 2.65 117.27 3.73 231.70 4.57 156.16 4.40 59.93 2.79 239.52 1.47 1249.08 4.84 164.65 5.50 41.93 2.19 143.04 2.35 192.50 3.40 175.15 8.15 192.50 3.41 169.58 2.35 185.51 5.32 185.58 127.98 152.34 141.27 124.85 206.23 54.05 161.01 114.75 228.12 151.00 157.23 162.93 162.93 142.93 142.93 142.93 143.93 144.92 179.87 179.30 179.30 179.30 179.30 179.30 179.30 -15.2 -8.5 -2.1 -8.5 -22.1 -70.7 -2.2 +29.3 -10.0 -24.1 -12.8 +6.2 -9.9 -20.1 -12.0 - 13.1 - 8.4 - 26.1 - 24.9 - 6.5 + 28.5 - 26.7 - 19.5 - 10.5 - 23.7 - 13.4 - 15.5 - 24.9 - 15.5 - 25.7 - 25.7 - 25 SATQUOTE REAL-TIME NEWS VIA SATELLITE * AFP-EXTER * PR. 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Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115,037 (US \$ Index), 90,791 (Pound Sterling) and 94,94 (Local); Nordic: Dec 30, 1988 = 139,65 (US \$ Index), 114,45 (Pound Sterling) and 123,22 (Local).

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Constituent changes during the week ending 11/9/32: Deletions: Fischer (George) (P.C.) (Switzerland), Landis & Gyr (P.C.) (Switzerland).

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FINANCIAL TIMES MONDAY SEPTEMBER 14 1992 LONDON SHARE SERVICE elifar Oct 14 10 -28 ... G16 6 -77 487 22 0596 2 143 -25 ... -34 -63 -41 -2712 19 -14 -34 04126 3 ... -24 43 -- 4951 24.4 3534 - 3854 - 4940 - 3824 - 4856 - 1371 21.1 4065 - 4061 244478 24 — 0171₂0 — Oct 77 <u>— GSc + Aug</u> 29 —6.5 012c + Occ Sup 166 — 010c 1,7 Mar - 1363 - 2024 10.5 2216 -- 1415 -- 3427 1.85 2576 -2773 GUIDE TO LONDON SHARE SERVICE is Shidom based on proposition or other utilizal estimates for 1982. Prigness based on prospecting or other collicial estimates for 1997. General figures assumed divisional, cover based or proposition or other utilizal estimates. Triguess assumed. W Pro furnis figures. Z Unitional logical cities. Althresisticus: al ex divisioni; ac ex scrip incor; ar ex sights; ac ex sight; FT Share Service
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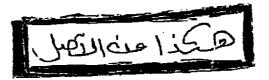
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MONDAY INTERVIEW

Builder of a social pillar

Michel Camdessus, managing director of the IMF, talks to Michael Prowse

s a former governor of the Bank of France and director of the French Trea-Sury, Mr Michel Camdessus has the perfect credentials for his present post as managing director of the IMF. Yet he is far from a typical product of central banks and finance ministries.

He is more affable, more extroverted and markedly less conservative than most of his peers. At least, that is how he struck me in an interview at his Washington office on the eve of the IMF/World Bank

I was also impressed by his unfailing optimism and good humour. Mr Camdessus faces an array of formidable problems yet betrays no trace of strain. As he smiles and gesticulates, he spins the illusion that the world's most vexing problems will readily dissolve if only the protagonists show a modicum of goodwill and com-

Leaving for later the sensitive issues - Maastricht, Europe's exchange rates, Russia's stalled reforms - I delved first into Mr Camdessus's per-sonal economic philosophy, a fascinating realm in its own

Speaking recently in New York, Mr Camdessus said policymakers had exhausted themselves in the past decade talking about macroeconomic reforms, development strategies and trade liberalisation. It was high time they focused on "social policy", which he depicted as the essential fourth pillar" of a system of international co-operation.

Warming to his theme, he said the international agencies to pay "sufficient regard to the short-term human costs involved during adjustment or transition to a market economy". The social component of interventions was sporadic. financially inadequate, late and disorganised, he said.

Few of Mr Camdessus's peers can bring themselves to utter the words "social policy", let alone demand more of it. Were his words intended only for rhetorical effect?

Mr Camdessus seemed horrified. It would be "just inde-cent", he said in his lilting English, to say things one didn't mean. All his experience at the IMF was that if you

ignore social problems, "you can forget about the efficiency of your programmes".

In pushing his social agenda, Mr Camdessus has repeatedly urged industrial countries to meet the United Nations target for development assistance of 0.7 per cent of gross domestic product. Did he realise he was demanding a doubling of Britain's foreign aid budget?

He chuckled, but did not retreat. "I would give you to the end of the century." The increase, he said, was neces sary and could easily be afforded given the scope for military spending cuts another favourite theme.

Since his arrival at the IMF in 1987, Mr Camdessus has struggled to lengthen time horizons - to coax his staff to think less about short-term ways of "stabilising" economies and more about promoting long-term growth. Recently, his campaign has seemed to intensify. At the Rio earth summit in June, he announced that the IMF's goal was no longer growth per se, but "high quality" growth. What did he mean?

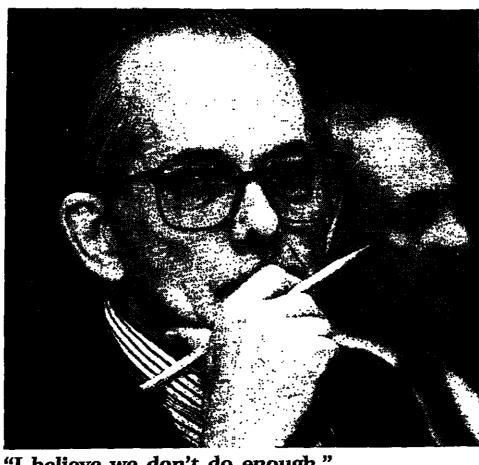
"Monetary discipline does not make sense if it is not to lay the ground for austainable growth," he explained. But different forms of growth were

not equally desirable.

By "high quality" growth he meant growth that has "a rich content in poverty alleviation". brings "improvements in income distribution" and is environmentally friendly. The IMF was having to adapt, he added, because "public opinion has told us that growth without poverty alleviation is non-

Was there anything in his unusual sensitivity on such issues? Mr Camdessus roared with laughter. "I will see a psychologist," he promised. Growing more serious, he said travelling in Africa as a senior French civil servant had opened his eyes. "I believe we don't do enough. This is an anxiety of mine."

But how did he square the IMF's meagre \$1bn loan to Russla with his strictures about needing to do more to ease human suffering in the transition to capitalism? He responded in two ways. The IMF loan was only part of a total relief effort for Russia that already amounted to



"The logic is to make transac-

tions easier and disciplines

common." Because Europe is a community, it is essential that

fiscal and monetary policy be

"conceived, managed and

Taking a wider view, while

Maastricht would not allow

"Europe to dominate the world

with a currency stronger than

the dollar," it would create "a

position of equal partnership

with other key currencies". It would enable Europe to do more to promote global mone-

The treaty, moreover, would

reduce inflation and budget

deficits and stimulate saving

and investment. It would turn

Europe's "totally unaccept-

able" current account deficit

into a surplus, thus providing

the savings needed to fuel the

economic transformation of

How did he react to the tur

moil on European foreign

exchanges? Didn't the shock of

German unification provide a

textbook justification for a of curre

the exchange rate mechanism?

Mr Camdessus conceded that

a realignment had been an

option "at the moment of unifi-

cation". But that course had

rightly been rejected because it

would have undone much good

work. "Credibility in monetary

affairs takes a long time to

build but is very rapidly destroyed." The future lay not

in a realignment but in putting

in place macroeconomic poli-

cies that "truly supported" cur-

In Germany this required

"convincing budgetary action".

Italy faced "the moment of

truth"; it had a last chance to

rent parities.

tary stability.

astern Europe.

implemented in common"

"I believe we don't do enough."

\$12bn-\$13bn. More important, it represented "just the beginning of our work".

True to his nature, he was resolutely optimistic about Russia's prospects. Prime Minister Yegor Gaidar's reforms were on track, he declared. The IMF had just dispatched a team to negotiate a full standby agreement for 1993. "We have a strong determination to do the maximum and to encourage others to do the maximum." In theory the maximum means an

PERSONAL FILE 1933 Born in Bavonne.

France. Educated University of Paris and Ecole Nationale d'Administration 1960 Joined French Treasury

1978-1984 Chairman of Paris Club of creditor nations. 1982 Director, French Treasury. 1984 Governor. Bank of

1987 Managing director, IMF. 1992 Appointed to a second

IMF loan of about \$3bn, he

Turning to Europe, I asked Maastricht was really crucial to Europe's future. He smiled and conceded that his countrymen had a tendency to exaggerate their own importance. He then plunged into a passionate defence of the treaty.

A European single currency was the "single most important step toward the reconstruction of an orderly monetary system since the breakdown of Bretton Woods in the early 1970s," he seid. Maastricht was "good for Europe, good for the world, and very good for France." He felt certain that common sense would prevail on the day of the

single currency? Why make Europe homogenous? Were not smali countries – Switzerland. convergence criteria. Talk of Maastricht reminded for example - often prosperous? Mr Camdessus was firm.

of claims on the time of IMF managing directors. Yet it is often possible to identify a sin-gle "defining task". In the case of Mr Jacques de Larosiere, his predecessor, it was the thirdworld debt crisis.

seeing the historic shift to capitalism in former Soviet republics and eastern Europe?

comfortable with that riskladen gauge of job performance. "The republics are quite important. But I still spend a great deal of time on debt." And working toward "a better co-ordination of policies among major countries" was also a top priority. With any luck, the affable Mr Camdessus will hit at least one of these targets. In the meantime, expect more extracurricular ruminations on social policy.

action" and demonstrate its commitment to the Maastricht

me of the bewildering variety

Did Mr Camdessus agree that his defining task was over-

He was far too canny to be international economics. He is

Why Bill and Al need Paul

looking for a reassur-ing symbol of financial rectitude, and he made a calming, bipartisan

I quote from Changing Fortunes (Times Books), where Mr Paul Voicker, the former Federal Reserve chairman, recalls President John Kennedy's inspired choice of Douglas Dilion as Treasury secretary in 1960. Dillon, writes Mr Volcker, was a Republican and a conservative: an investment banker with "impeccable credentials in the financial and diplomatic communities".

It would be a strange, but far from impossible, twist of for-tune if Mr Volcker were to find himself playing Dillon's role in a Clinton administration. With election day less than two months away, Mr Bill Clinton is playing his economic cards close to his chest. He and his choice for vice-president, Al Gore, rely on an eclectic mix of economic and financial advisers, none of whom is a certain bet for either of the two top economic posts - Treasury secretary and White House chief economist. The most frequently men-

tioned contenders for Treasury secretary in a Clinton administration include investment bankers Bob Rubin of Goldman Sachs, Roger Altman of the Blackstone Group and Felix Rohatyn of Lazard Frères. All are well regarded in financial circles, but none (with the possible exception of Mr Rohatyn) would add much ballast to a Clinton presidency.

Mr Volcker is in a different

class. He would be an instantly reassuring figure, not just on Wall Street but in central banks, finance ministries and bourses around the world. Imagine Mr Clinton arriving at his first economic summit with the large, cigar-smoking figure of Mr Volcker in tow: would anybody pine for the hamfisted economic diplomacy of George Bush and Nicholas Brady? At present Mr Clinton appears weak on macro and

JOTTER PAD

comfortable debating many of America's microeconomic problems, such as uncontrolled healthcare costs and poor job training. His economic plan. Putting People First, makes valuable suggestions for improving US productivity, mainly through higher invest-

ment in education, training

and infrastructure.

tional stature,

on America

But its priorities are those of an intelligent state governor, rather than an international economic statesman, and they reflect the expertise of close advisers such as Mr Ira Magaziner, a business consultant and educational expert, and Mr Robert Reich, the Harvard political economist, neither of whom would claim macroeconomic credentials. Mr Robert Shapiro, another capable adviser, does have a macro background but lacks interna-

Mr Volcker would fill the macroeconomic hole in the Clinton team far more convincingly than financial experts such as Mr Rubin or Mr Altman. But could a former under-secretary at the Treasury during the Nixon years fit into a progressive Clinton administration? Disapproving references in Changing Fortunes to escalating healthcare costs, eroding infrastructure and educational shortcomings suggest Mr Volcker would have few philosophical differences with the Arkansas governor who, after all, is a decidedly conservative Democrat. Sources close to Mr Volcker

say he feels underemployed as chairman of JD Wolfensohn, the investment bank, and

would be delighted to get the phone call from a president elect Clinton. The top job at the Treasury, at a testing moment in US economic his tory, would be a fitting finale for a life of public service.

The drawback for Mr Clinton is that Mr Volcker would be

too powerful. He might overshadow his president Clinton advisers also fear that he might prove "uncontrollable"

 which is one reason why speculation about a role for Mr Volcker mainly occurs outside, rather than inside, the Clinton campaign. In all probability, Mr Volcker would prove implacable on certain issues. He would apply relentless pressure for a lasting reduction in the budget deficit. But this ought not to matter, Mr Clinton is reportedly much keener on deficit reduction than many of his advisors. And macroeco nomic stability - Mr Volcker's strong suit - is precisely the environment required if Mr Clinton's long-term structural

reforms are to bear fruit.
If Mr Volcker were to go to Treasury, Mr Clinton would be wise to pick a complementary figure as chief economic adviser. A dynamic young aca-demic would provide the per-fect foil for elder statesman Volcker. Mr Clinton might opt for an economist he knows well, such as Mr Shapiro. But he would probably be tempted by one of the profession's young intellectual heavy-

weights. Mr Paul Krugman, a rising star at MIT, is a good bet. His academic expertise lies in the Clinton team's area of greatest ignorance: international marroeconomics and trade theory. Yet he has also helped mould the domestic debate, with a book that drew attention to people's diminished economic expectations and with controversial estimates of the growth of income inequality during the Reagan/Bush years.

If Mr Clinton wants to shine economically, he could do worse than draft the two Pauls - Volcker and Krugman But first he must win the election

take "extremely strong fiscal An escape from justice

shorter, simpler and cheaper system for trying complex fraud cases would reduce the risk of trials having to be abandoned or breaking down for reasons of defective proce-dures in the criminal justice system. This is the recipe recently prescribed by the new director of the Serious Fraud Office, Mr George Staple. His approach reflects the

anxious consideration now being given in the wake of a crop of misfired fraud trials -Cuinness, Barlow Clowes and Blue Arrow - which have unsettled the administrators of criminal justice. It was Mr Justhe US Supreme Court who once remarked that there was more danger that criminals would escape justice than that they would be subjected to

Mr Staple, not unnaturally, focuses primarily on what prosecuting authorities might undertake to achieve the objective of a more effective method of subjecting fraudsters to a judicial process. He has three main proposals to make for reforming the existing system or seeking an alternative route to a solution which is just for both offenders and the public. First, he wants to produce

range of criminal charges fac-

ing accused persons, and the

available to prosecutors, aided

ciary. The latter is also exclusively within the discretion of Any of those at the very heart of the fraudulent enter-



JUSTINIAN

target for prosecution. And stratagem among prosecutors to include the minor miscreants in a fraud trial. A jury finds special comfort in acquiting the peripheral offender, while convicting the main villains. If only the central figures are in the dock, the opportunity for selection is severely reduced and may lead to the unforeseen consequence of acquittal for one or more of the

palpably guilty ringleaders.
Mr Staple's special suggestion is to formulate an explicit system of plea bargaining. Informal agreements to accept pleas of guilty in return for monetary or other non-custodial penalties do pertain at present. They could be encouraged. But there is an instant dislike within the legal profesgreater selectivity in both the sion for any formal bargaining which needs to be carried out before the criminal justice sysnumbers of defendants put on tem is majestically wheeled trial. The former is always into place. A leaf might be taken out of the inland Reveand abetted by a vigilant judinue's book. It uses its power to administer monetary penalties, up to three times the amount of the tax evaded by the defendant. If that were to be an acceptable policy in non-fiscal frauds, it would need to be legprise present an appropriate

islatively sanctioned. The third proposal is allied to the second. It is to confer

powers on the financial regula-tory bodies to discipline fraudsters by way of penalties such as disqualification from offices and posts, in addition to administering fines. Again, legislation would be required. As long as criminal justice is

to be applied effectively and efficiently to serious fraud be on the defence. Mr Staple does not want to tamper with the right to trial by jury. Instead he wants tough measures to ensure that the defence outs its cards face upwards on the forensic table at the earliest stage, and that judges should strictly enforce their orders for disclosing the nature of the defence. Mr Staple thinks that much

can be achieved to produce a cultural change in criminal justice, abandoning the tradition whereby defendants keep their defences up their sleeves until the last moment, even declining to indicate whether they will go into the witness box until the last prosecution witness has given evidence. Early disclosure of a defence would no doubt help define the issues to be tried. The introduction in 1967 of a provision that took away the absolute right of a defendant to call evidence in support of an alibi, and required prior notice to be given of an alibi defence, provides a useful precedent for demanding prior disclosure of

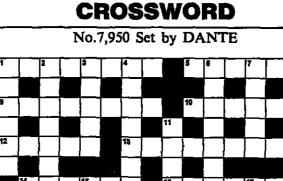
Certainly prosecuting counsel can do much - but only so much - by presenting the Crown's case in a readily intelligible form for ordinary jurors.

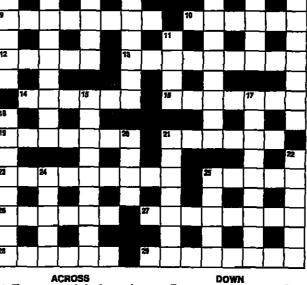
But will such reforms of the procedure within the jury sys-tem suffice to remedy the mischief of complex, prolix and costly trials?

Six years ago, the Roskill Committee on Fraud Trial (to whom Mr Staple gave written evidence) thought not, and recommended trial by a "fraud trials tribunal", consisting of a judge and two lay members selected from a panel of persons with expert qualifications. The government rejected the recommendation, and still inclines towards preserving trial by jury. Will it resist the pressures for at least modifying the unqualified rule of jury trial for all serious crime? The ultimate problem of trial

by jury is less about refining the process of prosecution or imposing disclosure by the defence of its case than about the conduct of the case as it is being unfolded in the courtroom. It is an inevitable feature of jury trial that defence counsel, at the insistence of the client, will wish to put up a smoke screen in front of the jury, and confuse the issue so that doubt is created in the

lurors' minds. Without the risk of impairing the fairness of the trial process, it is impossible for the judge to stop the spoiling tactics of defence counsel. This is an aspect of jury trial that was not fully considered by the Roskill Committee. It should now form part of a comprehensive review, and not one confined to a narrow band of cases of an indefinable class. Perhaps this is a topic for the Royal Commission on Criminal





 Chaperon needed when going round part of S. America with a rough reputation (4,4)
 What Spaniards may want is to lie back before tea's brewed

(6) 9 Clear course of action after study (8) 10 Many dwell on this anagram made by setter (6) 12 Splits payments for accommodation (5)

13 Notice result of successful appeal (9) back (6) 16 Peremptory demand for a rise

19 A cinema organisation showing insufficient vitality (7) 20 Slice the approach shot (4) 21 Remove the sediment from 21 Track celebrity's heavenly

(9)
25 Copper to marry a pretty girl
24 Identifies celebrities (5)
(5)
25 It may strike out A, B or C, 26 Part of an Elgar composition
– In D Minor? (6)
27 It's Bob turn to be obstinate

Louis Blom-Cooper QC 28 Esther's other name (6) 29 Break one's nose, perhaps (8)

1 Famous orator upsets Eric when in company (6) 2 Revised plan in use for a land project (9)

Eye-estching gadgets (5)
Managed to hold the first man coming up fast (7)
Entangled but certain it can be unravelled (9) When dancers take them they're on the level (5)

8 Open late perhaps for supply of chamois (8) 11 Goddess is one's double (4) 15 Last monument in Arizona? (9) 17 Canine check (9) 18 Measure appropriate for Lon-doners (4,4)

port (6) body (3-4) 23 Polish is taught at this school 22 More eager to be a mourner

The solution to last Saturday's prize puzzle will be published with names of winners on Sat-

Airline of the Year 1992.

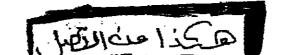
In addition to winning the Airline of the Year award for the second year running, we were also voted Best Transatlantic Airline, Best Business Class, Best Long-Haul Airline, Best Inflight Entertainment, Best Airline Ground and Check-in Staff, and Best Food by the readers of Executive Travel Magazine.

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SECTION III

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Year

Monday September 14 1992



Mauritius became a republic earlier this year. Its flag files over Government House in

MAURITIUS

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PORT

STORY

S

ishna Sithanen, Minister of Finance of Mauritius

WHEN a finance minister describes a 4.9 per cent real growth in GDP over the past year as "a fairly good performance", he is surely indulging in understatement. Or he manages the economy of Mauritius.

The year ahead will be better, Mr Ramakrishnan Sithanen reassured listeners to his budget address in June: he forecast growth of over 5 per

cent. This was more in line with what Mauritians have come to expect.

Over the past decade, the Indian Ocean island has maintained a record of sustained development remarkable by international standards, and positively phenomenal in comparison to Africa, some 1,500km to the west. But an eral sending: a changing world trade environment and the erosion of Mauritius's advantages, such as cheap labour, means that the going will be tougher, the competition sharper.

the competition sharper.

It was 10 years ago that the government of Sir Anerood Jugnauth, the prime minister, bit the bullet of structural adjustment, observing the conditions of successive IMF stand-by programmes, and winning World Bank backing.

Mauritius was in a parlous state, with inflation exceeding 30 per cent, an overvalued currency, and unemployment topping 20 per cent, until the transformation began.

The mono-crop (sugar) economy was able to broaden its base. The export processing zone (EPZ) was encouraged by realistic exchange rates and government incentives. Drawing on a cheap, literate and multi-lingual (English and French) work force, and concessional access to western markets under the Lome convention, the EPZ catapulted the island into the ranks of the world's leading clothing exporters.

The island's idyllic beaches

were already attracting tourists. But a hotel building boom, in response to the attractive investment climate and vigorous marketing, has seen the number of visitors treble to the 300,000 expected in 1992. At the same time, the budget

deficit has been falling from 14

of GDP in 1980 to a forecast 0.7

A third world success story in the 1980s, the Indian Ocean island of Mauritius seeks now to integrate closely with the world economy.

But the islanders' easy-going style may be at odds with long term ambitions. Michael Holman reports

Tiger-like aspirations

i	KEY FACTS
Area	1,860 km
Population	1.06n
Head of state	President Cassam Uteen
	Prime minister Sir Anerood Jugnauti
Currency	Mauritian rupee
	rte\$1 = 14MR
	ecast)6.59
	MRs47.4bi
GDP per capite (1992	estimate)\$3,25
Unemployment rate	2.1%
	5%
	\$938n
	ratio (1990)6%
	Sugar MRs5.2bn; clothing MRs9.7bi
Notes: Source: Minist	try of Finance; IMF; World Bank

gled out by Sir Anerood: "Political stability in a democratic

context" - to which he might

have added ethnic and reli-

The 1m islanders are a har-

monlous mix of Hindu, Mos-

lem, Creole and small minorities of French and Chinese

origin, culturally diverse but

seeking political consensus.

"Parties hiding behind words

like 'militant', 'socialist', and 'workers' have come to occupy

opportunities which you cannot afford to miss.

the middle ground in politics

gious tolerance.

per cent for 1992-3. External debt servicing which consumed 26 per cent of export earnings has dropped to single figures, and there is near full employ-

The overall result is a third world success story, where over the past decade growth has averaged around 6 per cent a year. With a population increase of only 1 per cent, it means that real living standards have risen by some 5 per cent annually, propelling per capita GDP from well under a thousand dollars to over \$3,000. But Mauritius owes its suc-

capita GDP from well under a thousand dollars to over \$3,000. But Mauritius owes its success to more than the right doses of IMF medicine. One of the main planks in the platform on which the island's take-off has been based is sin-

Nababsing, deputy prime minister, and including Mr Paul Berenger, the able foreign minister. Even before they joined forces in 1990, it was clear that personalities rather than policies divided them. The alliance won last Sep-

The alliance won last September's general election by a comfortable majority over Dr Navin Ramgoolam's Labour Party, the main opposition. But the government cannot afford to be complacent. The remarkable statistics conceal weaknesses in the government's economic management, likely to be exposed in the 1990s.

One prickly problem is the

One prickly problem is the increasing cost of the Mauritian "welfare state" - free education, health facilities and other social services. Pay awards due next year will be inflationary, and a skills shortage is impeding growth.

The poorly regulated building boom in the tourist sector has led to substantial overcapacity, as well as exacerbating environmental problems belatedly addressed. Comparatively little progress has been made in implementing the long overdue reform of the sugar industry, while the considerable potential of the horticultural sector has yet to be exploited.

sector has yet to be exploited.
For all the talk of diversification of the EPZ, from its textile
base into areas such as high
technology, there has been
only modest progress.
Meanwhile both sectors face

further challenges. Uncertainty about the relationship with China helped prompt Hong Kong industrialists to invest in the EPZ in the 1980s. "Now my uncle in Hong Kong is more interested in China's economic zones" says a Mauritian of Chinese origin, explaining the fall in investment in the zone.

Sugar will be hit by reform

Sugar will be hit by reform of the EC's common agricultural policy and the cut in subsidies to Lome members. And if the Multi-Fibre Arrangement is phased out, the market advantages enjoyed by the island's textile sector will be eroded.

Challenges do not end here. The post-communist era has produced new competitors for investment, such as Vietnam, or China, where labour costs are below Mauritian levels.

IN THIS SURVEY

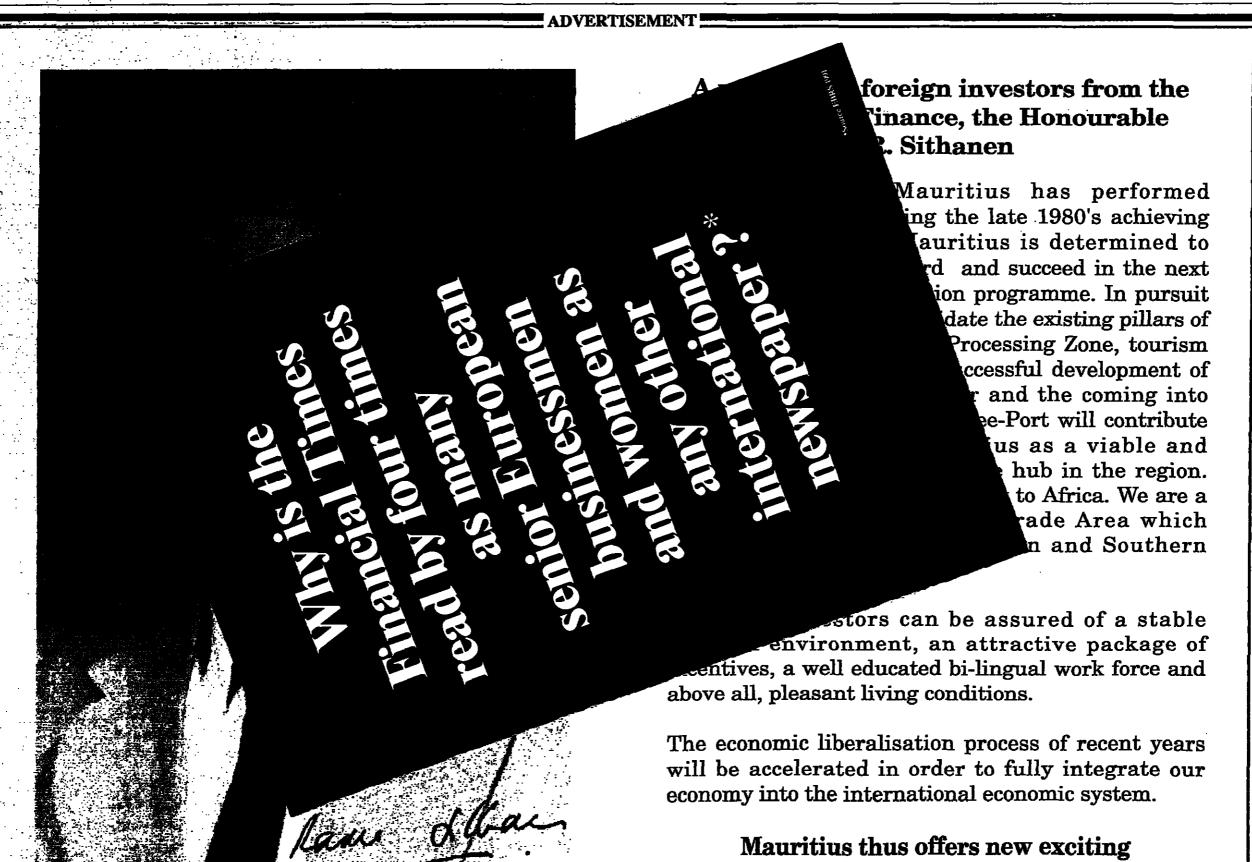
Much is expected from the fledgling financial services sector - the combination of an emerging stockmarket, offshore banking and the freeport of Port Louis: "The financial services sector is poised to become the fourth pillar of our economy", says Sir Anercod. "and help maintain its growth momentum and lead us on the path to become a Newly Industrialised Country."

This strategy - an aspiring Indian Ocean tiger drawing inspiration from Singapore or Taiwan - seems overly ambitious. Government officials and business leaders frequently refer to "the African market", whether as a source of funds for the offshore banks, or as a destination for which international traders will use the free-

port as a stepping stone.

But the level of interest in the island's offshore facilities suggest that Africans prefer to bank either with the former big centres (notably London and Paris) or in traditional locations such as Switzerland. And as an economic hinterland, Africa provides Mauritius with little encouragement. Sub-Saharan Africa's share of world trade is not only small – about 3 per cent – but either stagnant or declining.

Nor do Mauritians seem prepared to respond to a more demanding world by working harder and longer. Civil servants in an over-staffed administration (the private sector is only a little better) still clock in at nine, rushing for the exits at four in the afternoon. The island's tendency to sit on its collective laurels makes for a comfortable life. But the would-be tiger of the Indian Ocean has a long way to go.



GDP GROWTH RATES

Annual

-10.1

0.4

4.7

6.5

natural hinterland - east and

southern Africa - will turn

Mauritius into an attractive

location for entrepot business.

interfacing between Africa and south-east Asia; for regional

headquarters for multinational

companies as well for the off-

shore banking and financial

services. Mr Ramakrishna Sith-

anen, the finance minister,

sees post-apartheid South

Africa as the locomotive most

likely to start up the regional

wishful thinking in this

regional service centre picture,

given the continuing - indeed,

of Africa and the probability of only a sluggish South African

economy for the next few years

at least. Even if the plan were

to come good, it is very much a

long-haul one.
The upbeat side of it is the

Mauritian track record. Given

the transformation in little

more than a decade from sugar

mono-economy to a finely-bal-anced three-legged stool -

the islanders' resilience and

resourcefulness should not be

sugar, clothing and tourism

rating – marginalisation

growth rates

MAURITIUS 2

ONLY a handful of third world countries in East Asia have made the difficult leap from factor-driven growth, exploiting abundant low-cost labour or rich natural resources, to a modern, investment-driven **economy**

Mauritius, having aiready exploited to the full its narrow resource base, will try during the 1990s to make this transi tion to a skills-intensive, service-led economy. It has little choice, because employment of both labour and land is forcing it upmarket into territory where, today at least, it has no obvious comparative advan-

International trends are forcing it along a new, more difficult, growth path too. Liberalisation of the world trading system - especially the phasing out of the multi-fibre agree ment (MFA) - will remove an important source of past competitive advantage in the form of preferences in the European Community, while reform of the EC's common agricultural policy will hurt the sugar sec-

With two of the island's three economic pillars, clothing and sugar, under threat from global forces, as well as domestic constraints, the third pillar, tourism, will have to be supplemented by new sources

The trick in the 1990s will be to "grow" new competitive advantage, especially in services: offshore banking and other business services, a free port, increased tourism, diversified agriculture and manufacturing; in the same way as it successfully developed into a world-class exporter of knitwear over the last decade. But it is going be more diffi-

"It's going to be difficult but manageable," says Mr Ramak-

rishna Sithanen, the finance

minister, as he takes stock of

the economic options facing

Two serious short-term prob-

lems loom: inflation, which he

has successfully cut from 13

per cent a year ago to below 3

per cent at present; and a

deteriorating balance of pay-

The balance of payments -

forecast deficit this year of 0.7

per cent of GDP - looks likely

to get werse if, as planned,

machinery and technology

takes off as the manufacturing

and services sector gear up to

compete in the world economy.

import-intensive investment in

Mauritius in the 1990s.

ments situation

INFLATION		
Years	Annual %	
1980	42	
1981	14.5	
1982	11.4	
1983	5.6	
1984	7.3	
1985	6.7	
1986	1.8	
1987	0.6	
1988	9.2	
1989	12.6	
1990	13.5	
1991	7.0	
1992"	5.0	

cult this time round, partly because there is no longer a pool of skilled and semi-skilled workers to exploit, but also because the world of the 1990s threatens to be far more com-

Source: Central Statistical Office, St Louis

Mauritius expects to lose some of its preferential advantage in the single European market to low-cost manufacturers like Greece and Portugal while facing tougher competition from other third world exporters if and when the Uruguay Round of trade liberalisa tion measures is implemented. Following the important

structural reforms of the early 1980s, the Mauritian economy has grown at almost 6 per cent a year, with the main thrust coming from the export processing zone(EPZ), dominated clothing manufacturers. whose share of GDP more than doubled from 6 per cent in 1984 to 14 per cent last year.

Sugar, the traditional locomotive of growth, whose reinvested profits fuelled both industrial and tourism expansion, still accounts for 10 per cent of GDP, while tourism's direct share, at 3 per cent,

Similarly, businessmen worry that inflation will accel-

erate over the next year, espe-

cially if, as seems probable,

public sector labour unions

double-digit pay award.

win their battle for a

Topping the list of the minis-

ter's longer-term worries is the

likelihood that global market

of the multi-fibre agreement

Tony Hawkins takes an overview of the economic prospects

Miracles need a long haul

much understates its real importance as a foreign cur-rency earner (16 per cent of the total) and as a source of employment.

Growth prospects have deteriorated with the onset of full employment. EPZ growth slowed dramatically from more than 30 per cent annually in the mid-1980s, to an average 7 per cent a year since 1987. This reflected intensified competition in global markets, some loss of competitiveness as ware inflation took hold, and the tightening labour constraint as unemployment fell below 3 per cent last year from 19 per cent

in 1983. Despite this, EPZ expansion still accounts for more than a fifth of nost-1987 economic growth. By contrast, the sugar sector has gone backwards, with value-added declining 6

Tourism's real importance as a foreign currency earner is much understated

per cent over the past five years The bulk of growth (60 per cent) has come from services, with the finance sector. on which great hopes are pinned, expanding at more than 6.5 per cent a year.

The balance of payments is healthy: a current account deficit of MR274m (\$20m), 0.7 per cent of GDP. Mauritius has a

BALANCE OF PAYMENTS (MRs in millions) Fiscal years 1989-1990 1990-1991 1991-1992 Exports 20,019 21,971 22,846 3,347 4.094 Trade deficit -3.805 Net Invisibles + 2,228 +2,945 +3.073Current account deficit -1,866 -860 -274 +1,714 +1,428+ 1,409 Net capital Unrecorded flows +1.894+3,048 Overali balance

large trade deficit of MR3.3bn (\$235m), but this will be more than offset by tourist earnings has been increasing of over MR4bn in 1992, while capital inflows, in recent years,

(1990), with a debt-service ratio of 6 per cent. Hopes of maintaining growth at 6 per cent look optimistic. The signs are that Mauritius will have to settle for a more sedate 4 per cent growth rate in the 1990s, although this year GDP is forecast to rise 6.5 per cent, chiefly on the strength of recovery in the sugar sector

have averaged MR1.5bn. Exter-

nal debt is modest at \$938m

Export processing zone (EPZ) diversification - with reduced dependence on clothing in favour of electronics, watch assembly, jewellery manufacture - has not yet materialised. There is a strong feeling that the Free Zone firms would do better to stick (literally) to their knitting. At present almost 85 per cent of EPZ workers are employed in the garment industry, with

following last year's drought.

another 6 per cent in textiles, and this sectoral concentration

The Mauritian education system is well equipped to provide the type of worker required for relatively low-skill clothing manufacture, but its capacity to turn out workers capable of operating high-tech state-ofthe art equipment, and people trained to staff and manage entrepreneurial service activi ties, is very much in doubt.

Even if indigenous skills can be developed, there are just not enough pairs of hands to go round. This means not only that labour participation rates must rise, with more women being enticed to take jobs participation rates are twice as high among men - but also that productivity growth must be secured from substantial new investment in both the software and hardware of mod-

Traditionally, growth and diversification has depended heavily on the reinvested surpluses of the sugar sector. But

wane, new sources of savings will have to be found. The 1992 budget tackles this problem, with a raft of new savings incentives targeted specifically at stock market investment.

Unlike the Asian tigers. Mauritius is not a significant player in the inward investment game, attracting less than \$150m in new foreign capital inflows during the 1980s. Investment has therefore been dependent on domestic savings levels which, fortunately, have averaged 27 per cent of GDP in recent years, sufficient for GDP growth of at least 5 per cent a year, given existing rates of investment efficiency. As sugar surpluses fall, however, so Mauritius will need to attract more foreign interest - not just financial inflows, but the even more important inputs of

There is some wishful thinking in the idea of Mauritius as a regional service centre

technology, expertise and access to markets, to brandnames and subcontracting

arrangements Attracting these inflows is going to be easy; with a GDP of less than \$3.5bn, the domestic market has little to offer. Government ministers believe that the improved economic prospects in the island's

underestimated. Mr Sithanen has started well by rationalis. ing domestic monetary and tax policies to increase savings and investment, while also abolishing what remained of exchange controls.

There is more to be done, Por all its reputation as a liberal outward-oriented economy Mauritius today has more price controls than five 5 years ago; its system of centralised wage-bargaining is a drag on industrial and commercial effi-

Mr Sithanen acknowledges that the public sector is overmanned, agreeing that labour must be retrained and redeployed; the sugar milling sector needs to be rationalised to reduce the number of mills and thereby improving efficiency, and the one-stop investment shop at the ministry of industry needs to be streamlined

Above all, the Mauritian miracle is going to run out of its human sector. Two ele ments are crucial. The first is the will to win, and many doubt whether the cheerful easy-going Mauritian people. increasingly accustomed to rapidly-improving living standards (per capita income have risen 70 per cent since 1980 -have that killer instinct. Second, and perhaps more importantly, they may not have the succeed in a world where lowcost labour is no longer a passport to economic growth. Developing new attitudes and tencies will – like financial sector growth - be a

long haul

Mr Ramakrishna Sithanen, the finance minister, takes stock

A new dynamo is required

(MFA) would spell the death knell of at least a third of export processing zone (EPZ)

conditions for Mauritian exports will become increasclothing firms." ingly competitive. Uruguay Round trade proposals and reform of the Common Agricultural Policy in the European Community could damage the country's garment and sugar industries. As one industrialist luridly puts it: "The phased abolition

With growth already having slowed in the EPZ, sugar, and tourist sectors, the island is

looking for a new dynamo. The current emphasis is on turning Mauritius into an offshore business centre and free port underpinned by consolidation, modernisation and diversification of agriculture, manu"There is no reason to

change a winning formula," says Mr Sithanen. Mauritius must consolidate "what we are good at," simultaneously diversifying its economy to ensure a flexible response to the fastchanging global economy. "We must improve performance in traditional sectors to stay competitive."

Two elements are crucial to Mauritian economic strategy in

deeper integration with the world economy, and regional co-operation to exploit the island's geographical position. No other country in the region has the potential to develop into an offshore business centre interfacing between Africa and the Far East. The freeport could become a springboard for

He sees Mauritius as the gateway to a growing African

such trade.

ing its export platform serving Africa as a member of the 18nation preferential trading area (PTA). But for regional growth to take off, southern and east Africa needs a locomotive. The only country capable of this is South Africa.

In a full employment economy, growth will have to come from improved productivity. moving upmarket into higher value-added products and

developing competitive advantage in skills and capital intensive activities. Having recently lost comparative advantage in labour-intensive, low vaiue-added production, Mauritian manufacturers must find new markets and new niches. "There is always room for niche marketing," he says, "provided you market yourself properly."

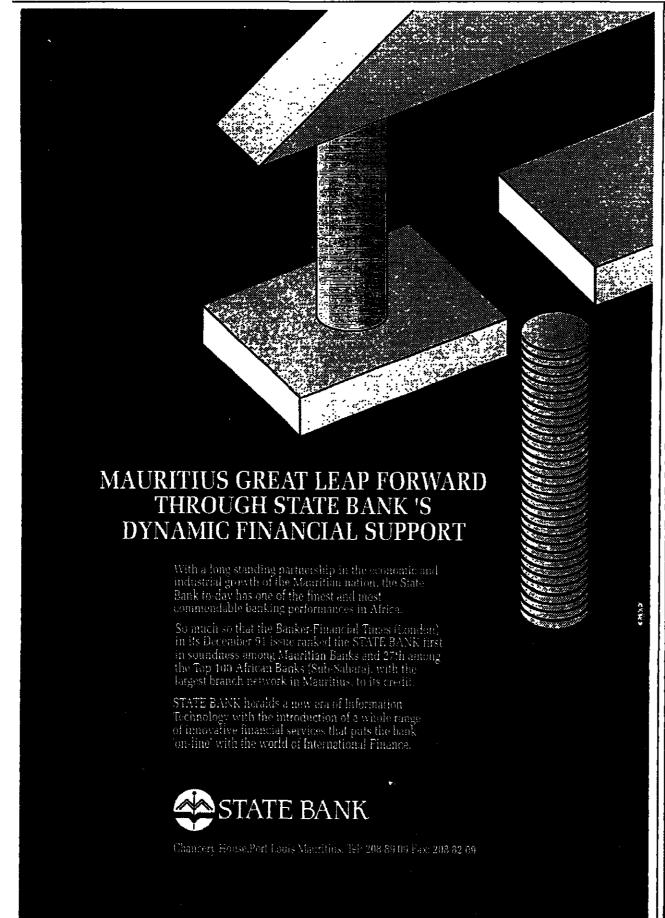
The range of options has narrowed. This is partly because Mauritius has exhausted its most obvious source of comparative advantage - low-cost labour: but also because it confronts by a new set of conditions in the world economy: conditions favouring skills and capital-intensive techniques.

Mr Sithanen sees no quickfix solution. Financial services. the freeport, and offshore business development will be a long haul, he says. But he sees no viable alternative to the growth strategy adopted in the

"We must continue with what we are doing," he says, only we must do it much bet-

But that will happen only if there is a change in attitudes.
"a change in the work ethos. People will have to work harder and better if productivity is to increase - the name of the game is to increase com-

Tony Hawkins



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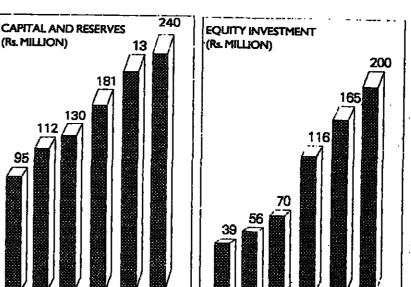
Food Production/

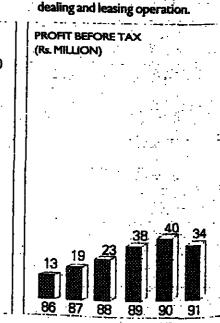
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MAURITIUS 3

IN THE three years since its

launch in mid-1989 the Manritius stock market has come a

long way. It has 20 quoted com-

panies, compared with six only

three years ago, and another

seven applications are being processed. Market capitalisa-

tion has increased from MR3hn

(8 per cent of GDP) two years

ago to MR5.1bn (10.7 per cent of GDP) today. Average turn-

over is running at MR2m a

week - four times the figure

for 1989. Semdex (the Stock

Exchange of Mauritius share

price index), having peaked at

179 (July 1989 = 100) in August

Impressive though these

growth indicators are, market

development is constrained by

structural and cultural consid-

erations; government incen-

tives are unlikely to change

these in the short run. In three

years; only MR162m (\$11.5m)

has been raised in the new

issue market - less than 0.5

per cent of total investment in the economy.

One explanation is the con-

centrated structure of business

ownership in Mauritius, where

family-controlled firms domi-

nate. Owners are reluctant to

1990 now stands at 162.

All hands to developing offshore business

Top of the priority list

DEVELOPMENT of the finance sector has top priority. Mr Ramakrishna Sithanen, the finance minister, is confident that Mauritius can become a regional financial centre. "We want the financial and services sectors to become the fourth

pillar of our economy."

Possibly the most important single policy thrust for the 1990s is the attempt to turn Mauritius into an offshore business centre. The initial drive for offshore banks has broadened to cover all footloose business activities. Seven banks - six of them with onshore operations - have been granted offshore licences.

There are three new players: Crédit Lyonnais (joint venture with the market leader, the Mauritius Commercial Bank); the State Bank of India with the number two player, the State Commercial Bank, and Banque Privee Edmond de Rothschild (Ocean Indien) Ltd. Officials concede that the

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Same of the state 10 m Same of the same

, which

 $\mathbb{R}^{2n+2n+2}$ Light Company of the Party A Company of the Comp ing, especially the absence of a anese or German bank.

While bankers say they hope to attract deposits and lending opportunities from Asia, especially india, they see opportu-nifies too in the broader sphere of fund management, (two international firms, have already been launched), insurance, shipping and aircraft management and leasing, and a whole raft of international husiness services.

While Mr Sithanen is confident that Mauritius is wellplaced to exploit economic recovery in sub-Saharan Africa, it is difficult to see why African depositors and investors should prefer Mauritius to a European or Far East off-

It is hard to escape the feeling that Mauritius is a touch remote for some of these activities. But the minister points to the financial sector's strong growth in recent years - an average of 12 per cent a year - and to the benefits he expects to flow from the liberalisation and deregulation that figured extensively in his June budget.

There is a strong case for greater competition. Two of 13 banks dominate - the Mauritius Commercial Bank with 34 per cent of deposits and 38 per cent of advances, and the government-owned State Comm cial Bank, which has a 26 per cent market share of both deposits and lending. Barclays, and Hong Kong and Shanghai, each have a 6 per cent to 7 per cent market share. Banque Nationale de Paris Internatio-

nale has 4 per cent. In the budget, bank rate was lowered to 8 per cent from 11 per cent previously; the reduc-tion in interest rates followed the sharp fall in inflation (from 12.8 per cent in 1990-1991 to 2.8 per cent in the year to June 1992. For 1992, inflation is forecast at 5 per cent (compared with 7.1 per cent in 1991).

Lending rates were differentiated by sector so that, while EPZ and other priority firms could borrow at a minimum of 13 per cent (now 10.5 per cent), traders had to pay 17.5 per cent. Government officials say now that rates have been deregulated: it is the banks that are responsible for rate discrimination, and not the authorities.

Like all directed credit systems, this one ran into problems; banks were reluctant to lend to under-capitalised, highly-geared, poorly managed EPZ firms - espe-cially given the high turnover of firms there. There have been 53 closures in the EPZ in the last year alone - nearly a tenth of the total number.

Clearly this was no way to encourage diversification, nor the integration of the "domestic" and EPZ sectors. But with priority sector ceilings now removed, 60 per cent of bank lending has been deregulated. This has paved the way for more efficient bank lending, though the liquidity overhang in the market - estimated by the minister at MR3bn - will remain a threat to price stabil-

Tony Hawkins | go to the market to raise new funds - this would bring "out-

Stock market needs bigger players

Buy-and-hold persists

side" participation.
Traditionally, Mauritian
business has relied on retained earnings and bank borrowings to finance its development. The recent reduction in interest rates and excess liquidity in the local capital market seems likely to facilitate dependence on the banks rather than pushing firms to seek long-term funds via the stock market.

The government uses tax breaks to encourage firms to go public. Until recently, stock market-listed firms paid corporate tax of 25 per cent as against a basic rate of 35 per cent. But this was not attractive for EPZ companies or hotels, which pay a 15 per cent rate of company tax. In this year's budget, Mr Sithanen cast his net more widely, seeking to attract EPZ companies by announcing a 30 per cent tax credit, so that EPZ firms which go public - none, to date - will now pay 10.5 per

cent. Some EPZ firms are con-

sidering a listing, while indi-rect investment in the largest EPZ company, the Floreal Group, will be possible later this year when the Ciel Investment Trust which has a 67 per cent stake in Floreal, is quoted on the Mauritius market.

The danger with fiscal incentives is that they encourage firms to make the minimum number of shares available to satisfy listing requirements 25 per cent of their equity - purely to benefit from the reduced rate of profit tax. This has happened, with the result that several quoted stocks are seldom traded and overall turnover at 2 per cent of market capitalisation is low. In part, this also reflects the buyand-hold culture of individual and institutional holders.

On the investment side, the government is trying to foster a stock market investment and trading culture among small savers, by exempting from income tax dividends received

from listed companies a 10 per cent tax credit on investment in Unit Trusts and a tax credit issued by a listed company.

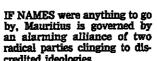
In the 1992 budget, in a move designed to foster the bond market, tax exemption was broadened to cover loan interest on traded bonds, while the minister announced plans to create a National Investment Trust company that will mobilise savings by selling its shares to the public and recycling the proceeds into investments in parastatals.

The exchange wants greater institutional and foreign participation. But in so tiny a market - 60 per cent or more of the quoted securities tightly held - there is little room for big players. An estimated 40 per cent of turnover is in one counter: the Mauritius Commercial Bank, the most liquid stock by far.

Tony Hawkins



Names are not much to go by



credited ideologies. But the Mouvement Socialiste Mauricien (MSM) is not Mouvement Militant Mauricien

(MMM) is militant. The labels hark back to past enthusiasms, for the MSM/ MMM coalition led by Sir Anerood Jugnauth, the prime minister, advocates a market econ-omy and straddles the political

Nor does the opposition Labour Party, headed by Dr Navin Ramgoolam and in alli-ance with the Parti Mauricien Social Democrat (PMSD), offer a radical alternative.

Although he is not short of ammunition with which to attack the government. Dr Rangoolam makes clear his support for the economic formula that has proved so suc-

"However, the economy is run-ning into serious difficulties but government has run out of steam," says the son of the late Sir Seewoosagur Ramgoolam, the first prime minister of Mauritius who led the island to independence from Britain in

"On the environment, the island's government has been all talk and little action"

"The export processing zone needs more investment in higher technology, skills training has been inadequate. And on the environment government has been all talk and little action.

Dr Ramgoolam, 45, who qualified as a doctor at Dublin and is on his way to becoming a barrister, saves his most pasissues: the government's deci-sion to opt for republican sta-tus, alleged failure to crack down on drugs, and the conduct of last September's general election.

The result was a resounding victory for the MSM/MMM alliance: 57 assembly seats to Labour's three - a lopsided reflection of the 56 to 40 per cent shares of the votes cast.

"It was blatantly rigged," claims Dr Ramgoolam, amid counter charges by govern-ment. The Labour Party has taken its case to court.

Dr Ramgoolam is especially critical of the government's decision to make Mauritius a republic, formally enacted on the independence anniversary, March 12.

"I support the move in principle, but there should have been a referendum," he argues, and expresses especial concern that that government may end the recourse to the Privy Council as a final court of appeal.

"We need this constitutional safeguard," says Dr Ramgoo-

He takes heart from the recent village council elections which, he argues, showed a swing against the government. The results are difficult to interpret, for candidates do not stand under the political par-

tys' banner. But coupled with recent rumblings from the unions, pushing for wage increases, they may serve as a warning against complacency to Sir Anerood, enjoying his 10th year in office.

His lengthy tenure owes much to skilful political footwork, ending one alliance and embarking on another latest being with the MMM, based on a bargain struck in

July 1990. Sir Anerood turned to Mr Paul Berenger, the key figure in the MMM, which the two men helped found in 1970. The Mouvement swept to power in

60 mainland seats (the island of Rodrigues has two assembly

But nine months later Sir Anerood and Mr Berenger parted company. The differences between the two men involved personality rather

The enigmatic Paul Berenger, former finance minister, remains a key figure

than policy. In his short tenure as finance minister Mr Beren-ger began the implementation of the economic reform programme, followed through by Sir Anerood after he left the MMM to create the Mouvement Socialiste Militant, the party

he leads to this day. Although Dr Prem Nababsing, the deputy prime minister,

heads the MMM, the enigmatic

Mr Berenger remains the key figure in the party. Unlikely ever to become prime minister by virtue of his Franco-Mauritian origins - an electoral lia-bility on an island where 52 per cent of the 1.1m population are Hindu, and 17 per cent Moslem - he can play the role of king-

maker. Whether the alliance can hold remains to be seen: "Breaking and forging coalitions is a political way of life in Mauritius", says one veteran

The main reason is not hard to find. As Dr Ram Mannick, a UK-based Mauritian academic comments in his book, Mauritius: The Politics of Change*, there is very little to choose between the various parties: "Consensus politics rules the day," he notes.

This principle accounts for one of the island's strengths stability. But as Dr Mannick pointed out: "The danger is that politics becomes opportunistic - a game to get into government rather than a

debate over policy issues."
"Real problems might be forgotten," he warns, "while politicians struggle for positions." *Dodo Books, Mayfield College,



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Michael Holman examines the freeport plan

Incentives are in place

Port Louis harbour will play an increasingly important role in the economic development of Mauritius.

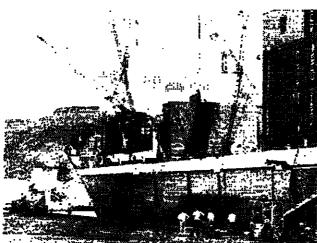
Hand in hand with the expansion and improvement of the harbour and its facilities is the plan for a freeport, closely linked to the island's emerging role as an offshore banking

The port would serve as an international trade depot, pro-viding warehousing for transhipment and facilities for processing or assembling of goods and materials for re-export to destinations around the world.

Sir Edouard Lim Fat, chairman of the Mauritius Freeport Authority established earlier this year, and prime mover behind the establishment of the island's Export Processing Zone, acknowledges that it is an ambitious project.

The publicity material for the project refers to the island's "strategic location in the Indian Ocean." But the natural economic hinterland is sub-Saharan Africa - which is responsible for only 3 per cent of world trade.

"It is nevertheless a significant market which we can help service," counters Sir Edouard,



"The job is to put the freeport on the map:" Port Louis harbour

imported by freeport operators

will be exempted from duties

and taxes, and goods destined

for re-export will qualify for

sively in re-export qualify for concessionary tax rates; free

repatriation of profits; freedom

from exchange controls;

exemption from duties; tax on

imported office equipment and.

in addition, tax breaks for

Double taxation agreements

Companies engaged exclu-

reduced port charges.

motional visit to the Far East "Membership of the Preferenrial Trade Agreement (an African trading bloc) is one of the biggest assets we have. We are a gateway to Africa, particularly for exports from Asia." The success of the Export Processing Zone - selling knit-

wear to Europe and the US -shows that distance need not be an obstacle. Sir Edouard goes on to list a wide range of

Machinery and materials

with Britain, South Africa, France, Germany and India already exist, while treaties with Italy, Zimbabwe, Sweden and Malaysia are scheduled to come into effect soon.

These incentives, coupled with the harbour's improved facilities, political stability, good telecommunications, a well educated bilingual (English and French) labour force and pleasant living conditions, make up an attractive

package, argues Sir Edouard. The port, which handled over 3m tons of cargo during the year ending June 1992, has ample room for expansion, with about 290 acres of land created by a dredging and reclamation programme. In addition to five deep water quays, an eight hectare container park with an annual throughput of 85,000 TEUs, has provision for refrigerated contain-

A 7,500 sq.m. shed is availfor freeport activities, while 37 acres of land have been earmarked for development, should demand warrant

"We have the facilities, we are providing the incentives my job now is to put the freeport of Mauritius on the map,"

Tony Hawkins notes that EPZ growth has slowed to a crawl

Important to go upmarket

AFTER five years, during which growth in the Export Processing Zone (EPZ) averaged a remarkable 26 per cent. manufacturing in Mauritius can no longer claim to be the

leading sector of the economy. Indeed, in the last three years. EPZ growth has slowed to a crawl - at least by Mauritian standards - with its output rising by a very respectable 6 per cent a year. The slowdown reflects a combina tion of demand and supplyside factors.

On the supply side, full employment, higher inflation and reduced investment has undermined growth. At the same time, demand in the island's crucial European markets has been hit both by the recession and by intensified competition.

Export growth, which averaged 35 per cent in the mid-1980s, is down to single-digit levels, though the EPZ's export role continues to grow in importance and it now accounts for 63 per cent of total export earnings.

Investment in manufacturing in the last two years fell below the levels of the late 1980s, but this has been partly offset by the marked improvement in labour productivity.

Productivity in the EPZ, fell more than 20 per cent in the early 1980s as employment grew far faster than output. It has since recovered strongly, increasing 20 per cent since

This is an encouraging development - and one which suggests that Mauritius employers are responding to their eroding margins by squeezing extra output from the island's workforce. Indeed, between 1987 and 1991 value-added per worker in the free zone increased 27 per

Opinion is divided on the future of what has become the model for export-led growth in

Since 1987. Mauritian ministers and business leaders have been pushing for diversification out of clothing and textiles: two industries which. between them, account for 85 per cent of EPZ production. Their efforts are directed towards diversifying into jewellery (whose current output



Electronics is one of the ind

share is 3.5 per cent), watches, optical goods (5 per cent), leather goods and electronics But there is a growing feel-

ing that Mauritian exporters should focus on moving upmarket in the clothing industry rather than seeking to develop new sources of competitive advantage.
Mr Jean Claud de l'Estrac,

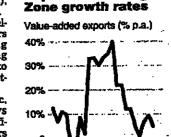
the industry minister, says that while he favours diversification, "the choice is not ours to make

He has a foot in either camp, arguing for the modernisation of the clothing sector so that it can exploit its experience to advantage, and its present foothold in world markets. "By global standards, we are still a low-cost producer of textiles, he says, adding that the textile sector has a future so long as it adapts to changing conditions at home and abroad.

There is general agreemen that urgent action is essential; a successful outcome to the Uruguay Round of Gatt trade talks would within a decade. torpedo the EPZ's largest single export, the T-shirt industry, which would lose its preferential edge relative to other third world manufacturers in the

Buropean market. EPZ exports totalled MR12.1bn last year. Of these, France took almost 29 per cent of the total, Britain 16.5 per cent, and Germany 16.3 per cent. The island's only significant non-European Community market is the US, which buys

Export Processing



1980 82 84 86 88 90

16.6 per cent of EPZ exports. But there is no consensus in Mauritius on precisely where the EPZ should now be heading for.

Some, such as Mr Arif Currimjee of the Bonair clothing group, one of the zone's top quality players, argues that there is scope to expand value-added very considerably by focusing more on design and marketing skills, seeking competitive advantage through differentiation rather than cost leadership.

His company has achieved a 70 per cent value-added factor compared with an EPZ average of only 32 per cent.

Furthermore, he highlights the need for closeness to the market. Bonair has a Paris office from which it monitors Euro-market trends in fashion design and retailing - pointing to the shortening of product life cycles and lead times, and the need for greater production flexibility.

Others are approaching the problem by a different route. The Floreal group, which alone accounts for a tenth of EPZ exports, and is the world's sec. ond largest manufacturer of Woolmark garments after Benetton of Italy, went offshore in 1989, opening a factory in nearby Madagascar which currently produces 30 per cent of its woolmark items. Floreal, a middle-market player which will be bard hit by the abolition of the MFA, is investing heavily in new technologies.

Like Bonair, it emphasises the need for greater flexibility, shorter production runs and, above all, improved quality. But quality gains are difficult against a background of full employment.

Similarly, the days of a single-shift textile production, with expensive capital equipment lying idle for 12 hours and more, are gone. Mr Daniel Giraud, chief executive of Floreal, echoing a pervasive theme evident in almost all sectors of the economy, stresses the need for a new and different culture, both on the part of workers and manage-

Some Mauritian policymakers believe the EPZ's longer-term future lies in a consolidated, though smaller clothing and textiles sector, alongside electronics, watches, leather and optical goods manufactur-

The establishment of an informatics park, which is scheduled to open by the end of 1993, and the rejuvenation of the EPZ development authority, spearheaded by entrepreneurs from the private sector, underline official determination to regain the EPZ momentum of the mid-1980s.

But whatever the disagreement on the extent of diversification versus consolidation. there is unanimity on one aspect. That is the need to move upmarket, reducing dependence on cost-leadership "commodity" products, such as pullovers and T-shirts, and developing new expertise in high-tech capital-intensive

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MAURITIUS 5

THREE YEARS after an investment of MRSm in a fully mechanised fruit line, Mr Berty Malabar has been unable to realise his dream of a sophisticated and high quality export business of fresh fruits

The Mauritian Government's incentive package to exporters, including a 50 per cent freight rebate scheme, has stimulated competition and dramatically increased producer prices of pineapples, bananas and lychees. Mr Malabar has been unable to secure a sufficient supply of fruit to keep his machines, which wash, wax and pack, working more than a few days a year.

He complains of the entry into the unregulated market of a number of cowboys who do dards necessary to protect Mauritius' brand name in an increasingly competitive European consumer market.
Mr Malabar's problems are

typical of the lack of clear government direction in agricultural diversification which with the prospect of a much

THE MAURITIAN sugar

industry is facing up to the need for a far reaching adjust-

ment in the face of increas-

ingly uncertain revenues for

its annual production, which

The prospect of a reduction

in the guaranteed support price - after a seven year

freeze, paid by the European

Community to African Carrib-bean Pacific (ACP) sugar pro-

ducers under the Lome Con-

minds in the industry. Declin-

ing revenues combined with

rising domestic costs of pro-

duction have forced the sector

into an important rethink of

its external and internal poli-

But hard policy decisions are politically sensitive, given sugar's pivotal role in the

Mauritian economy. It contrib-

utes 30 per cent of export earn-

ings, 15 per cent of employ-

ment and 11 per cent of GDP.

government and the powerful

- sugar lobby makes it much

-more difficult to address the main issues of productivity.

mechanisation, increased

- ... yields, modernisation and the

Yet the need for a serious overhaul of the sector is vital.

A Mauritius Chamber of Agri-

industry has now reached a

iculture report says: "The

role of state intervention.

** SUPPORT!

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art a late of the

Lingering distrust between

vention - has concentrated

averages 650,000 tonnes.

for sugar (as discussed in the article above) - has become even more pressing than

Furthermore, experts say Mauritius is wasting a vital competitive advantage over other African horticultural exporters such as Kenya and Zimbabwe: the huge excess capacity in air cargo for perish-ables, which has been created alongside the tourist boom of the past seven years.

Last year, about 80 per cent of the air capacity to Europe was unused - a total of almost 4,800 tonnes, against exports of 880 tonnes airlifted. Opportuni-

incentives to exporters have increased some producer prices

ties for greater use of sea containerisation in Mauritius' be developed

expanding port have also yet to Critical policy options now have to be confronted. These include, particularly, the bal-

ance between import substitu-

Julian Ozanne reports on the agricultural diversification effort

Dreams still unrealised

tion and export orientation, efficient use of scarce land resources, the type of products which to receive attention, and shifting away from what Mauritians describe as the "sugar mentality" to more active and

The picture is far from bleak. however. Significant successes have been achieved in importsubstituting vegetable produc-tion for the local market, particularly potatoes and ginger, and in the export of anthurium

Further opportunities exist in fruits and vegetables, sugar by-product utilisation and deer

Experts in the sector say the need now is for a carefully considered government approach to the entire agricultural diversification industry, to map out a coherent strategy of research

AGRICULTURE (000s of tonnes) 1991 5548.3 624.3 29.9 Sugar cane Black tea

and support for a sector which, and more effective use of bywith the right policy environ-ment, could expand dramaticproducts by sugar farmers. An important project is under way ally in the coming years. to increase exploitation of Recognition of the increasing bagasse, the fibrous material problems facing the sugar industry is adding impetus to separated during cane crushing, for the production of

the diversification drive. The Mauritian Government has given considerable incenscheduled to start up in 1994 tives to non-sugar agriculture, and 1995, which will burn bagasse during the crop and and significant results have coal in the intercrop period. been achieved through crop rotation, interline cultivation, Two other existing power staproject is intended to save foreign exchange by reducing dependence on imported fossil finels increase the sector's valne-added, and have a favourable impact on the environment by using a local renewable

ource of energy. Experts say further work needs to be done to investigate how to upgrade the value of other byproducts, such as cane straw, scums and molasses. A whole range of products rum, power alcohol, vinegar and perfumes - are being manufactured, but most of them on a small scale.

However, the general declining profitability of sugar land, together with increased mechanisation, is likely to release land for alternative uses, with prospects for higher returns. Fruit, vegetable and anthurium production has already more than doubled

Further increases in horticultural production will depend on:

eliminating the "sugar mentality" for a sub sector which needs much more careful husbandry, irrigation and more appropriate use of fertiliser and pesticides;

 research into the potential profitability and market opportunities of different crops; better land use - particularly of sugar lands, which will become impossible to bring under mechanisation because

they are too rocky or hilly;

Decline in profitability of sugar may release land for other uses

 development of strategies to protect horticulture from cyclones, such as establishing windbreaks; • radication of fruit fly;

 development of cheaper sea transportation to Europe. According to Mr Malabar, in post-harvest handling procedures, such as selection, packing and temperature control. will be vital to winning markets and may therefore require

the creation of high standards

some licensing of the industry. Another interesting area of agricultural diversification is deer farming and ranching. Already, nine farms with about 10,000 head are producing about 450 tonnes a year. Export markets have already been found for live animals in Malaysia, and whole carcasses to the island of Reunion, and choice cuts and delicatessen are being sold locally. Deer farmers say an important overhaul of the national abbatoir, to bring it up to EC standards, is the constraint on growth at

Mauritius has already demonstrated considerable progress in agricultural diversifica tion. But serious consideration by both the government and the private sector of the many constraints is urgently requiredif substantial growth is going to take place over the next five

An important export needs a rethink

Sugar revenues lose their sweetness

sions have to be taken to the one which leads to greater competitiveness and produc-

Mr Jean-Claude Tyack, the general secretary of the chamber, says the critical impetus for reform is the likelihood of

The CAP and the Gatt may press EC sugar prices downwards

stagnating or decreasing revenue from reduced prices as a result of reforming the EC common agricultural policy (CAP), and the Uruguay round of the General Agre

Tariffs and Trade (Gatt). Under the CAP, the slash in the lower prices paid to farmers of cereals, milk and beef, and the pressure from the Gatt negotiations, are likely to sugar prices in the EC. Sugar counts for 80 per cent of Mauritian sugar exports.

"We are barely making ends meet at present and we expect there will be a new sugar regime by mid-1993," says Mr Tyack. "The EC can't ignore sugar for ever."

onding the declining profitability of the Mauritian sugar industry has been the erosion of foreign exchange gains as a result of the entry of sterling into the European monetary system, and the slowing of the depreciation of the Mauritian rapee.
Mauritius and other ACP

producers are pushing for EC compensation in line with what EC farmers are being paid to maintain revenues after the cut in support prices for other commodities. Hopes are also high that the end of Portugal's transition period of entry into the EC will result in

to ACP producers, for Portugal's annual requirement of 300,000 tormes of sugar.

Mr Michel Hardy, general secretary of the Mauritius Sugar Syndicate, says the island must also continue to raise the volume of high value specialty or "natural" unrefined sugars it sells (75,000 tonnes last year), both in EC and non-BC markets, and hunt out new markets for validded products.

But the deteriorating external conditions present new challenges to the Mauritian sugar sector. Producers complain that it is overly regu-lated by government, is short of labour, and that the sector needs important advances in productivity and mechanisa-

Producers say, too, that the first challenge is to define a new domestic environment for the private sector in order to



estore profitability and competitiveness. They say that while Mauritius is moving fast towards liberalisation, the sugar industry is "kept in a fiscal and economic strait iacket."

A government/private sector working committee is currently considering prescriptions proposed by the sugar lobby. These include liberalisation of domestic price controls; reduction in the rate of export duty on sugar; rationalisation of the tax regime to eliminate double taxation on profits: better incentives for investment in capital to modernise and mechanise the sector; easing restrictions on closure of sugar factories to allow

better rationalisation and eco nomic efficiency, and reductions in and reform of "cesses" the local agriculture tax.

With the correct enabling environment, sugar producers say they will feel more comfortable undertaking the necessary investments required needed to raise production and cut costs.

The government, however, says that the "sugar class" protests too much. Mr Madan Dulloo, the agriculture minister, points out that government has consistently given performance-linked incentives and support to the industry; and that already this year it has provided for the issue of tax free debentures and has

substantially increased domestic consumer prices. Further measures will be considered for legislation, he says, but "because of the importance to the economy of sugar there has to be give and take and government has to balance the political, economic and social dimensions of any policy

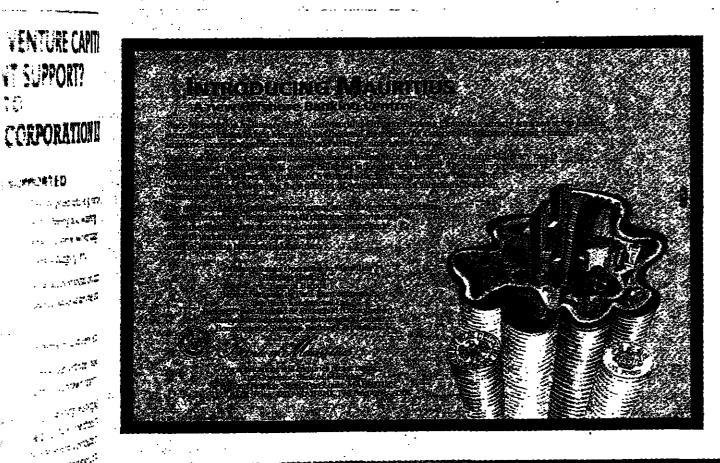
change.' Apart from the critical issue of the role of government, there is broad agreement that several other measures need to be taken. The first is to increase yields to compensate losses from the decline in area planted - each year the sugar sector loses an estimated 500-1,000 acres of land to develop

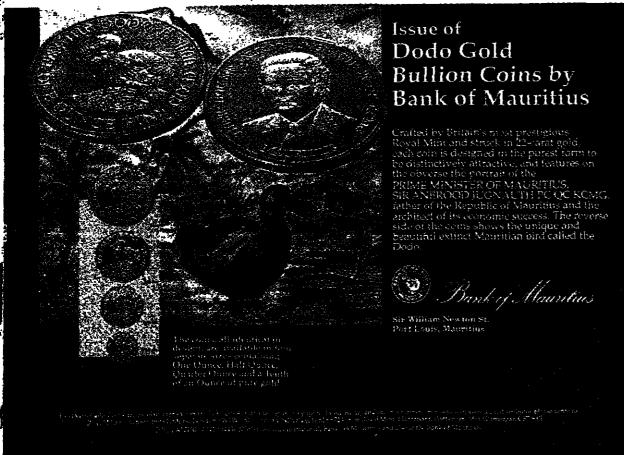
ture and industrialisation. Producers say the present sugar yield of 8.5 tonnes per hectare on estates could be increased to 10-11 tonnes within a decade. Irrigation furrow techniques), a compre hensive water management plan (or the island, increased research on new varieties, and nechanised harvesting, loading and land preparation are also extremely important.

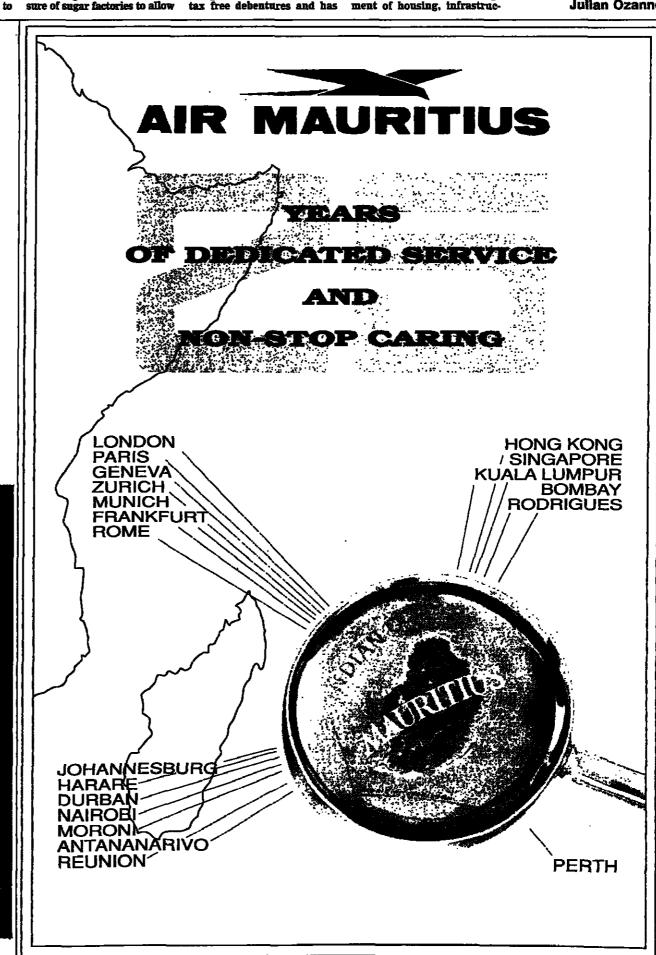
Many of these advances can not now be applied to Mauritius's 33,000 small planters 90 per cent of whom work plots of under two hectares vho produce about 38 per cent of the cane. Sugar yields from the smallholder sector are at least two tonnes per hectare lower than for the estate sector. Intensifying the effort to group small planters together into larger areas of at least 20 hectares (land area management units) will be vital if they are going to be able to exploit capital-intensive yield improving techniques.

Modernisation of the longneglected milling sector, increased productivity of labour, better training, and further expansion of agricultural diversification are all badly needed, too, to revive sugar's flagging fortunes.

Julian Ozanne







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Paradise has problems, reports Julian Ozanne

Expanding tourism presents dilemmas

GOLDEN sunlight dances off the clear turquoise water of the Indian ocean. A gentle breeze, blowing across the lagoon, rustles the deep green leaves of palm trees fringing white sandy beaches. Half a mile out to sea, the surf breaks gently over the coral reef.

There are few "sea, sun and sand" tourist destinations in the world which come as close to paradise as Mauritius, with its excellent facilities for deep sea diving, big game fishing, water skiing, wind surfing, riding and sailing.

But the tourism sector is struggling to come to terms with a rocketing expansion of the industry. This has created serious environmental and economic problems and left government confused about the policy direction it should follow for the next five years.

Industry experts say a comprehensive government fiveyear tourism development policy is eagerly awaited. They look to this to give clear directions about critical policy issues such as tourist arrivals, hotel development, international marketing strategies. environmental impact assessmore diversified and high quality product.

The tourism boom in Mauritius has been impressive. Tourist arrivals have doubled in six years: 148,900 in 1985 to 298,500 last year. Earnings have risen from MR845m to M3.9bn over the same period, making tourism the third biggest foreign exchange winner. Particularly good results have been achieved in boosting the average spending per tourist, which increased from MR5,676 in 1985 to M13,000 in 1991.

After a disappointing year in 1991, during which tourist arrivals increased only by 2.4 per cent over the previous year (mainly because of world ession and the Gulf War), Mr Noel Lee Cheong Lem, minister of tourism, says arrivals look likely to return to a growth rate of about 10 per cent this year.

This pattern of growth has had its costs. The number of hotels in the past six years has increased from 55 to 80, with an increase in the number of beds from 5,387 to 10,482. Bed occupancy rates fell to a record low of only 47 per cent last year, as the increase in tourists has not kept pace with the increase in beds.

Between 1985-1988, according to Mr Lem, a number of hotel development certificates were distributed as "political favours" - without either adequate planning about how the new hotels were going to be

1988 291.6 239.3 Arrivals (000s) Gross earnings (MRs) Bed occupancy (%) 4.40bn 2.37bn 1.19bn 10,388 12,000 9,670 **Employment** 7,005

filled, or consideration of the environmental impact of this expansion. With low occupancy rates the new hotels are struggling to make profits, despite attempts to buy market

share by cutting rates. Furthermore, the unregulated growth in the number of hotels has had a detrimental impact on the environment. Dumping of untreated sewage into the seas and lagoons, particularly severe in the Grand Baie area, has had a damaging impact on the marine ecosys

A moratorium on 20 new hotel projects expired last year. but Mr Lem says 16 of these

The industry is looking eagerly to government for clear development policy direction

projects have subsequently been shelved, and the government is trying to persuade the other four not to go ahead. "We are applying the brakes on the further expansion of the tourist sector and at the same time trying to widen the market to allow hotels to achieve the rate of occupancy which is viable and profitable."

All new hotel developments will now also be subject to an environmental impact assess ment under the new Ministry of the Environment. If hotel development is

slowed, and the growth in arrivals continues to boom, Mauritius's capacity problem and the economic viability of hotels is likely to ease considerably within the next three to four years. The government has now abandoned an arbitrary limit of 400,000 arrivals by the year 2000, and Mr Lem says Mauritius is a long way from the threshold of tolerance of tourist arrivals, and that the ratio of tourist arrivals to population is still so low that at least 500,000 arrivals by the end of the century is acceptable and possible.

Two important challenges face the government in seeking to increase arrivals: developing new markets, and developing the infrastructure for the "sec ond phase" of development. hopes on development of the

Japanese and Indian markets. and consolidation of the French, British, German and South African markets. A oncea-week flight from Osaka to Mauritius is expected to start by 1994. But hoteliers and tour operators say the Government Tourist Office is weak and ineffective, and must develop a much more aggressive marketing campaign. They say the MR65m allocated to promotion in this year's budget is not

The government will continue to ban charter flights, camping and caravan sites, to discourage "low budget" tourists and maintain Mauritius's image as an upmarket destination for "low volume high income". The question remains whether the sufficient growth in numbers can come from the high income market alone.

Moreover, many "low budget" tourists, especially from France, continue to find their way to Mauritius by taking charters to Reunion and then making the short (50 minutes) flight to Mauritius. Some hoteliers and tour operators believe would be better to accept that low budget tourists are going to come, cater properly for them, and get the maximum revenue out of them.

They also say that Mauritius remains an extremely expensive destination, even for the high-income bracket tourist. and that only by considerably improving the quality of the product and service will the industry be able to continue to attract increased volume in the face of competition from Kenya, Seychelles, Indonesia,

Maldives and Thailand. Development of infrastructure and added facilities will be critical to further growth - as will maximising revenue by attracting tourists off the beaches to spend more money on other activities. The development of the National Handicraft Centre, and of inland facilities such as the "Domain du Chasseur," a deer hunting and nature park, is being welcomed by the private sector.

After a period of rapid growth the government is now facing crucial decisions on how to consolidate and expand its thriving tourist sector to ensure that continued growth will be sustainable.



November to May is the season for

as electronics and jewellery, in which we are diversifying.

trialised country.

STUNG BY International started work on a comprehensive environmental policy aimed at preventing further serious degradation of its fragile resource base.

Reversing the serious damage done to the environment from the past eight years of rapid but unregulated growth in manufacturing and the tourism sector will be a big challenge, requiring some tough - and politically and economically courageous -

However, for some of the environmental damage already done - such as the destruction of part of the marine and coral life around Grand Bale, caused by from the discharge of untreated sewage into the sea by the mushrooming hotel industry - government awareness has come too late.

The critical challenge for government lies in balancing the often conflicting demands of enhancing "the second phase" of economic growth, while spending money and instituting controls and regulations on businesses to preserve the environment. A comprehensive 400 page report, prepared by the Mauritian government for the presenta-tion at the Rio Earth Summit last June, recognises this.

"The rapid pace of industrialisation has admittedly given rise to a degradation of the environment which to a large extent stems from haphazard development and poor planning," the report says. But It also stresses the need for a

competition. No one owes us a living. freeport will help growth and lead us on Diversification, modernisation, quality improvement, productivity - focus on these areas will help us maintain our the path to become a newly indus-Q: Are you disappointed at the pace of

Sir Anerood Jugnauth, the prime minister, is interviewed

by Michael Holman

'No one owes us a living'

A: In the short term it is not a serious

contract expatriate workers. For the

long term, we are investing massively

Q: How will you cope with the changing

A: Insofar as sugar is concerned, the

European Community sugar protocol

for ACP members will hold for an

indefinite period. However, as regards

the Multifibre Agreement, Mauritius

presently enjoys preferential access to EC markets, which may not be the case

if the MFA is not unheld. But we are

already preparing ourselves for tougher

international trade environment?

diversification in the export processing Q: Is enough being done to protect the zone (EPZ)? A: I would certainly prefer things to move faster. The world recession has slowed down investment, but I am confident that as the international economic situation improves, there will

Question: Where will the impetus for

Answer: The economy is now in a

new phase of its industrialisation

process, characterised mainly by

diversification into capital and

technology intensive manufacturing.

Diversification will broaden our

production base and reduce our

dependence on sugar, textiles and

tourism. Capital and technology, along

with the production of up-market goods

and services will raise our productivity.

More impetus for growth will come from the financial services sector. In

fact, this sector is poised to become the

fourth pillar of our economy. The

offshore business centre and the

growth in the 1990s come from?

A: We are doing the maximum we can. Our approach is very much related to sensitising our population through school and public campaigns, and since the publication in 1988 of a national be growing demand for products such action plan, government is proceeding with 32 projects covering all aspects of the environment.

Q: How serious a constraint is the skills Q: Can Mauritius afford its "welfare state" facilities - free education, free health services, social security benefits problem, since we allow firms to

subsidised basic foods? A: To tell you the truth, I am worried. I have warned that we cannot go subsidising food for everybody. I even say for certain types of medical care, people who can afford to pay should be made to pay. I and my colleagues are going to study these things very carefully, and a committee is being set

up . . . it just cannot go on like this. Q: Are you closer to a solution for Diego Garcia (the coral atoll forming part of the British Indian Ocean Territory, serving as a US military base, claimed by Mauritius)?

A: I sincerely hope so. I have received letter dated July 1 from the British government which opens the way for further discussions. I am satisfied the grounds have been cleared for a nutually satisfactory solution. O: Does Mauritius provide any lessons

A: Two factors in particular have contributed to our success, and which [believe are prerequisites for successfu development anywhere: political stability in a democratic context, and heavy investment in human resources.

Environmental degradation must be reversed

Toughness needed

• A National Physical Devel-

opment Plan to relocate eco-

nomic activities and allocate

scarce land resources in an

environmentally friendly way.

An important upgrading of

solid waste management and

the development of a sewerage

master plan. Rubbish dumps

are to be phased out; in future

industrial sector and the need to "frame intervention to protect the environment at least cost to industry."

Whether the government will be able to tread this tightrope, successfully trading off environmental concerns with demands for even faster growth, remains questionable given the political strength of business interest groups. But there seems to be widespread recognition of the prob-

ems and the need for action. The creation of a Ministry of the Environment in 1990 was a turning point in the Mauritian government's environmental awareness and in its efforts to construct a comprehensive policy structure. Among the pressing environmental problems identified by the new ministry are:

• The need to arrest coral depletion by coral sand mining companies, by introducing incentives for switching to basaltic sand. 600,000 tonnes of coral sand are used every year in the building industry. The ministry has stopped allocating new licences to coral sand dealers, and will carry out a review by next June, with a view to phasing out the trade completely. • Tackling the heavy use of

all waste will be transported to transfer sites, where it will be compacted into bales and All new projects must be subjected to an environmental impact

then taken to land-fill sites. Five of these have already been identified and are being prepared.

assessment

mental protection and low waste technologies through incentives, loans and subsidies to Mauritian manufacturers. particularly the worse environmental offenders such as the textile dyeing houses. sugar factories, stone crushing plants and boilers.

• Introduction of the "pol-

luter pays principle" through charges, penalties and taxes. • Creation of a special industrial estate for high pollution nicians can work to reduce • Zoning of marine parks to protect marine life and coral

Mr Bashir Khodabux, environment and quality of life minister, says that identification of these problems by the ministry's 400 page report has been a significant plank in the government's policy. Passage of the Environmental Protec-tion Act (EPA) in July last year has also laid the legislative framework for the next phase of quantitative action. Under the Act, all new pro-

jects must be subject to an environmental impact assessment, which will allow the ministry to impose environmental conditions into the project plan. For existing businesses the

government is developing a series of quantifiable "norms and standards" under the EPA to control the emission of effluents, smoke, noise, odour and water purity.

The standards are now at the solicitor general's office, and will then go through a process of public comment. "As soon as these standards are prescribed by law we shall start inspecting premises," said Mr Khodabux. "We are not going to be dictatorial. We

want a consensual approach and we want to be pragmatic want to start seriously on environmental action."

The minister believes the process will be completed by date Mauritius will have a pragmatic but effective environmental policy." A number of other studies and projects are also under way - funded by donors who pledged \$93m in 1989 for an environmental

The list of ongoing projects includes funding technical specialists and scientists; estab-<u>lishing</u> four environmental laboratories; providing infrastructure for the special industrial park; an emergency sewage project for Bale de Tombeau; preparation and implementation of a National Sewage Master Plan; establishment of a hazardous substance control board and plans to improve pesticide use and regmiation.

Observers say that the Mauritian government has moved swiftly, albeit after a long eriod of damaging inaction, to prepare a sweeping environmental policy.

The critical question which remains, however, is whether political will to implement its policies effectively - espe-cially in the face of business opposition and claims that environmental protection is costly, and acts as a brake on

Julian Ozanne

Just pick up that cellphone

FEW business destinations can be as beguiling as Mauritius. Accessible government officials, a flourishing private sector, up-to-date statistics, good restaurants and delightful beachside hotels make even hardened workaholics relax.

Life has been made even easier by the arrival on the island of the cellular telephone. Local and worldwide connections are so good that your caller will not know whether you are under a palm tree, putting the 25 minute journey from your Grand Baie hotel to Port Louis to good use, or telephoning from the capital

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PO Tek itself. Local and international calls are at the standard phone call rate, so the saving on hotel surcharges can cover the MR400 daily rental.

There are no first class hotels in Port Louis, but with some of the world's finest beaches a 30 minute taxi ride away, who would choose to stay in the capital? Most offices are within walking distance, so it's hardly necessary to hire a car. The taxi journey from Grand Baie area costs about MR200 (or you could help pay for the cellular telephone by using the efficient bus service MR10 for the same journey).

An alternative to hotel accommodation is a short term let of a serviced beachside bungalow; this can be arranged by Leisure Promotion (Tel/fax

A pleasant city rendezvous is La Bonne Marmite (2122403/ 4406 - wonderful palm heart salad); but one of the best restaurants on the island is Le Piscatore (2616337), near the Trou aux Biche Hotel: excellent sea-food, and special dishes for vegetarians.

Galerie Helene de Senneville (2637426, Grand Baie) offers fine paintings and prints of Mauritius by local artists including Daniele Hitie, and look out for work by Michael Adams, who lives on the Seychelles but visits Mauritius frequently.

For a weekend break, explore the island of Rodrigues -"Mauritius before the tourists arrived". Air Mauritius has a daily service to the island, and every room at the recently opened Cotton Bay Hotel (095-831 3000/1/2) opens up on to an unspoilt beach.

But find time for a sundowner on the wood-slatted verandah of the Pointe Venus hotel, an elegant but fading

which overlooks the capital, Port Mathurin. Credit cards are widely accepted in Mauritius: business cards are regularly exchanged.

agrochemicals and fertiliser.

No visas are required for Commonwealth passport holders, or from the EC, Scandinavia, Japan. US, South Africa, Oman, Quatar, Saudi Arabia, UAB. Yellow fever and cholera vaccination certificates may be needed if you arrive from infected areas. There is no malaria on Mauritius. Some local telephone numbers:

Government Departments: Prime Minister: 2011001 Agriculture: 2011403 Economic planning: 2011576 External affairs: 2011416

Industry: 2011221 Trade: 2011067 British High Commission: 6865795

France: 2083755 India: 2086857 South Africa trade mission: 2126926 US: 2082347 EC: 6865062 Banks: Bank of Mauritius: 2126127

State Bank: 2088909 Barclays Bank: 2121816 Bank of Baroda: 2123900 BNPI-Banque Nationale de Paris: 2084147 Hong Kong Bank: 2081801 Mauritius Commercial Bank:

North of Port Louis: Trou aux Biches: 2616562 Royal Palm: 2638353 Merville: 2638621 South of Port Louis: La Pirogue: 4538441 Sofitel Imperial: 6836581 East Coast: Le Saint Geran: 4132825 Mobile phone: Emtel: 4545400 Courier services Development Bank of Mauri-DHL: 2087711/7714; fax 2083908 TNT: 2080748: fax 2080401 Car hire: Avis: 2081624 Budget: 2420341 Europear: 2089258 Hertz: 6751453 The airport at Plaisance is 50km from Port Louis. Travel

by taxi to Grande Bale costs

about MR600; allow about 70 minutes for the journey. Airlines: Air Mauritius: 208687 Air France: 2081281 Air India: 20837400 British Airways: 2081039 Singapore Airlines: 2087697 South African Airways: 2081281 Useful contacts: Chamber of Commerce: 2083301 Chamber of Agriculture: Export Development Author-Mauritius RPZ Association: 2085216 Mauritius Freeport Authority 2129627 Mauritius Sugar Authority: .2087262

Michael Holman

"Take a postcard Miss Jones'.

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With three attentive members of staff per visitor, there are certainly no personnel problems on Mauritius.

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